

FY 1993-94
ACTION PLAN



USAID/HONDURAS

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I. OBJECTIVES

I. -- STATUS OF STRATEGIC OBJECTIVES

USAID/Honduras is continuing a program strategy approved in July 1991. The strategy, in line with LAC Bureau objectives and subobjectives, emphasizes economic growth, natural resources conservation, improved health and education of Hondurans, and consolidation of the Honduran democratic system.

Since preparation of last year's program strategy and accompanying Action Plan, two events have led to changes in the strategic objectives framework: 1) the concern expressed during last year's CDSS/Action Plan review that the objectives were means to ends rather than ends in themselves, and (2) work with a Bureau-supported PPAS technical assistance team in late January and follow-up after their departure.

The approach taken in the PPAS exercise was one of total re-examination of the Honduras program's logical hierarchy. The resultant revisions in the strategic objectives framework, although numerous, do not reflect a change in program direction. Rather, they articulate more precisely what the program is attempting to achieve and improve the base for measuring program impact at the highest level for which the Mission will be held accountable. This narrative focuses on significant refinements at the strategic objective and performance indicator level, with only limited discussion of program outputs and indicators.

Strategic Objectives Refinements

Box 1 at Page 3 summarizes revisions in the strategic objectives that are reflected in this year's Action Plan. Even a cursory comparison of the two years' objectives reveals that the underlying changes are essentially shifts from "actions" to more focused "results" and, in some cases, movement to a higher level in the cause-and-effect chain.

Last year's "improve sector policies in agriculture, trade and investment and finance" is no longer a strategic objective. Under the revised framework, sector policy improvements contribute to the two higher-level strategic objectives supported by programs aimed at improvements in the economy:

- Objective 1-- "Increased agriculture investment, production, and exports" and**
- Objective 2-- "Increased private investment, production, and trade."**

These two sectoral objectives, which directly support Bureau subobjectives I.A. and I.B., are parallel in structure and, in many respects, mutually reinforcing. Obviously they are the two complementary components of economic growth: agricultural and industrial investment and production. We have chosen to treat them as separate objectives because the two sectors have a variety of different laws, policies, and incentives that affect different investors and producers; are managed and overseen within the GOH by different ministries; have different economic constituencies within the country; and can move independently of each other, depending on the policy framework and market conditions facing the different investors/producers in the respective sectors.

There is also a difference in the emphasis or focus we are giving to each. Over the short run, or the 1992-96 period, we see agriculture as the one sector which can respond most quickly to improved policy signals and opportunities, and can increase output, and thus exports, most significantly. Therefore, under Objective 1 our emphasis is on production, as reflected by its primary performance indicator, "growth in agriculture GDP." Other performance indicators cover domestic production, increased export earnings, and investment in the agriculture sector. (A list of outputs under this and other strategic objectives is listed in Box 2 at Page 4. The index in Box 3 at Page 5 guides the reader to output and other specific information relating to individual strategic objectives.)

Objective 2, on the other hand, covers the non-agricultural private sector, especially manufacturing. Since major manufacturing production gains typically require larger, lumpy investments in the plants and facilities that take more time to translate into increases in output, our emphasis under Objective 2 over the short run is on increased investment, as reflected by its primary indicators, "increased gross private investment." Such program outputs as trade reforms, improved investment climate, and improved financial intermediation also contribute to achievement of Objective 1.

Assumptions under both objectives are continuation of a sound macroeconomic program and continued assistance from multilateral donors. The Mission, of course, will continue to promote such continued assistance. Employment is a highlighted and intended by-product of programs supporting both objectives.

Objective 3: "more efficient management and sustainable use of selected natural resources," which directly supports Bureau Subobjective I.D., replaces last year's objective which focused on improved policies and programs. Four performance indicators that emphasize environmentally sound practices now reflect results of improved policies instead of the policies themselves. Specific improved policies are now included among the program outputs/indicators that support the objective.

In refining its social sector objective, the Mission has defined **Objective 4: "healthier, better-educated Hondurans"** through selection of six performance indicators. The performance and other health and education indicators emphasize children, as do programs that support the strategic objective. Within this framework, smaller families are not an end in themselves but will contribute to healthier children. A "decelerated rate of growth of incidence of AIDS and other sexually transmitted diseases" is also included at the performance-indicator level in recognition of the diseases' increased threat. The program outputs/indicators under Objective 4 are more detailed than last year's. Not surprisingly, minimizing cholera fatalities is one of them. Because healthier, better-educated Hondurans will be more economically productive and therefore likely to have more economic opportunities, this Mission objective directly supports Bureau Subobjective I.C.

This year's democracy objective, which directly supports Bureau Subobjectives II.A. and II.B., not only moves from actions to results, but also compresses two objectives into one: **Objective 5: "more responsive selected democratic institutions and processes with greater citizen participation."** In an attempt to measure progress, the Mission will use public-opinion polls and other studies to measure three of the four performance indicators, i.e., increased citizen confidence in local and national elections, local governance, and the judicial system. Review by experts and lawyers will measure passage of internally consistent and well-defined laws. Program outputs/indicators cover these and other areas, such as strengthened GOH accountability systems, participation in town meetings, and exposure to and training in democratic values.

The final adjustment is the deletion of last year's "promoting more effective Honduran regional and international cooperation" from the list of strategic objectives. This does not reflect any diminishment in the importance of this effort. Rather, in the Honduran development context and within the PPAS framework, efforts in this regard more appropriately belong at input level with policy dialogue and program resources which together produce needed results to achieve strategic objectives. Therefore, the Mission program continues to support Bureau Subobjective III.A.

Box 1

**GOALS/STRATEGIC OBJECTIVES
REFINEMENTS SUMMARY**

Original	Revised
<p>Goal 1: Broad-based, sustainable economic growth</p> <p>Strategic Objectives:</p> <ol style="list-style-type: none"> 1. Improve sector policies in agriculture, trade and investment, and finance 2. Increase private investment and trade 3. Improve environmental policies and natural resource conservation programs 4. Facilitate implementation of social sector policies 	<p>Equitable and sustainable economic growth and development</p> <ol style="list-style-type: none"> 1. Increased agricultural investment, production, and exports* 2. Increased private investment, production, and trade* 3. More efficient management and sustainable use of selected natural resources 4. Healthier, better educated Hondurans**
<p>Goal 2: Stable, participatory democracy</p> <p>Strategic Objectives:</p> <ol style="list-style-type: none"> 5. Strengthen democratic institutions 6. Promote a more pluralistic Honduran society 	<p>Consolidation of the Honduran democratic system</p> <ol style="list-style-type: none"> 5. More responsive selected democratic institutions and processes, with greater citizen participation
<p>Goal 3: Effective regional cooperation</p> <p>Strategic Objective:</p> <ol style="list-style-type: none"> 7. Promote more effective Honduran regional and international cooperation 	
<p>* While not presented as a specific objective, program output, or as a program indicator, employment is an intended by-product of the programs that support Objectives 1 and 2 and will be measured at the project-output level.</p> <p>** Also contributes to Goal 2.</p>	

Box 2**STRATEGIC OBJECTIVES/PROGRAM OUTPUTS****Objective 1: Increased agricultural investment, production, and exports**

1. Improved profitability and climate for agricultural investment
2. Increased promotion of private investment in domestic and export agriculture
3. Increased access to markets and factors of production
4. Creation/strengthening of private sector institutions serving agriculture

Objective 2: Increased private investment, production, and trade

1. Trade reforms adopted
2. Privatization process accelerated
3. Improved investment climate
4. Improved financial intermediation
5. Increased investment promotion and export development
6. Selected private sector institutions strengthened

Objective 3: More efficient management & sustainable use of selected natural resources

1. Improved policy framework
2. Reoriented GOH institutions responsible for natural resources
3. Increased environmental awareness and technology transfer
4. Increased private sector capacity to improve natural resources management

Objective 4: Healthier, better-educated Hondurans

1. Increased percentage of Hondurans who practice family planning
2. Increased effective breastfeeding
3. Increased percentage of fertile-aged women and children age 5 and under who are vaccinated
4. Reduced incidence of selected diseases
5. Increased use of AIDS-prevention practices
6. Increased efficiency, quality, and coverage of primary education system

Objective 5: More responsive selected democratic institutions and processes with greater citizen participation

1. Greater and more efficient information usage in developing laws
 2. Better-qualified and more ethical and efficient judges, attorneys, and administrators in judicial institutions
 3. Framework institutionalized for ongoing legal and administrative reforms in the judicial system
 4. Fourteen municipalities execute managerial and financial functions on a sustainable basis in response to constituent needs
 5. Greater number of Hondurans exposed to and trained in democratic values
 6. Strengthened GOH auditing capabilities and public accountability
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II. PERFORMANCE

II.A -- PROGRAM PERFORMANCE NARRATIVE

Performance at every level of the strategic-objective framework, i.e., goal, performance indicator, output indicator, indicates that USAID/Honduras programs are producing and thereby having positive impact on Bureau Objectives and Subobjectives. The most dramatic gains, at least over the past year, are in the economy, where we have been putting most of our resources, as have the IFI's. Except for the macroeconomic progress reported below, all progress reported in this narrative is based on Mission performance indicators, program-output indicators, or specific project accomplishments.

GOAL 1: Equitable and Sustainable Economic Growth and Development

Preliminary estimates indicate that the Honduran economy grew by 2.2 percent in 1991, exceeding both 1990's 0.1 percent growth rate and the 1.7 percent growth target for 1991 in last year's Action Plan. This relatively strong economic performance reflects improved macroeconomic policies supported by A.I.D. balance-of-payments programs, especially flexible exchange-rate policies¹ and price liberalization. The Government of Honduras (GOH) also reduced its nonfinancial consolidated public sector deficit to 4 percent in 1991 from 8.5 percent in 1990; and slowed inflation to a rate of 21.4 percent for the year ending December 31. Inflation for the six-month period ending February 29, 1992 was held to an annualized rate of 6.0 percent. The GOH met four of five IMF targets through the end of 1991, missing only the one on net domestic financing of the public sector because two IDB disbursement totalling \$30 million were unexpectedly pushed back from 1991 to 1992.

Objective 1. Increased agricultural investment, production, and exports

The agriculture sector, which grew by 3.4 percent compared with last year's Action Plan target of 1.2 percent, provided the strongest impetus to overall growth. Domestic grain producers responded to improved price incentives with a dramatic expansion in area planted during the spring months. Despite abnormally dry weather, major basic grains enjoyed a solid growth rate of four percent.

Nontraditional-agriculture export growth was sufficient to hold overall export earnings at the 1990 level of \$760 million in 1991, despite a 10 percent decline in banana production due to prolonged labor unrest and a 15 percent decline in the volume of coffee exports as the result of speculative retention of output by producers in response to unexpectedly low international prices.

The GOH also made significant agriculture policy advances in 1991. It broke the State Marketing Board's (IHMA's) monopoly on the importation and commercialization of basic grains, eliminated most price controls, and eliminated export and import controls on agricultural products.

Originally expected in 1991, the March 4, 1992 passage of the Agricultural Modernization Law is a major advance in the sector. The law will improve land tenure security and forest management policy, and codify into law improved GOH pricing and tariff policies.

1 In 1991, the Central Bank of Honduras (BCH) improved its management of exchange-rate policies by (a) allowing exporters to retain up to 30 percent of their hard currency earnings to finance imports, (b) legalizing dollar-denominated bank accounts, and (3) relaxing restrictions on the use of black-market dollars to finance imports. In February 1992, the Congress approved currency trading for foreign-exchange houses.

Objective 2. Increased private sector investment, production, and trade

Gross private investment increased by seven percent in 1991. Export processing zones (EPZs) accounted for \$24 million in new investment last year. Since 1988, investment in EPZs has resulted in the creation of 12,000 jobs, primarily for women. A side point worth noting is that textile-assembly skills training under the CADERH OPG saved two drawback industries from failure.

In an effort to improve Honduras' investment climate, the GOH submitted a new Investment Law to the National Congress in October 1991. The Law reduces restrictions on the repatriation of earnings and streamlines procedures for registering and operating both foreign and domestic businesses. As of this writing, the Law has not been passed, but we expect it will be before this year's Action Plan Review.

Progress on privatization of state-owned enterprises was slower than anticipated in 1991 due to bureaucratic delays and political controversy. However, the GOH completed three privatizations toward the end of the year, bringing the cumulative enterprise privatization total through 1991 to 18. The GOH has apparently regained its privatization momentum, since another three enterprises have already been privatized so far in 1992. The GOH has also made progress in privatizing other public sector activities. As noted earlier, IHMA rented out some grain silos to the private sector as a first step toward privatization. In addition, the Ministry of Communications and Transport, SECOPT, shifted most road maintenance to the private sector.

The GOH also continues progress on its comprehensive tariff reduction program. It has already achieved its 1992 target of compressing the range of tariffs to 5-20 percent, which is down from the pre-1990 reform level of 0-90 percent and the 1990 range of 4-35 percent. The next target will involve elimination of the 15 percent surcharge.

With USAID support, private voluntary organizations made 21,500 loans to small and micro enterprises between 1988 and 1991, including nearly 6,300 in 1991. About two-thirds of the borrowers are women. The program has contributed to the generation of approximately 13,000 jobs since 1988.

Objective 3. More efficient management and sustainable use of selected natural resources

Programs in natural resources conservation are making headway. In 1988, there was no forest management activity in Honduras. By the end of 1991, improved management practices were being employed on 92,000 hectares in areas covered by USAID activities. One of the practices, a new environmentally sound method of harvesting, is being implemented nationwide. In addition, the number of families practicing environmentally sound cultivation practices on hillside farms has increased from 11,000 in 1990 to 17,320 in 1991.

Objective 4. Healthier, better-educated Hondurans

Progress in health is reflected in the decrease in the infant mortality rate from 78 per thousand live births in 1980 to 59 per thousand in 1990. In 1991 the percentages of children under five who were vaccinated against diphtheria, measles, polio, and tuberculosis average over 90 percent as compared with last year's 85 percent average. One of the year's most notable successes was the massive and effective anti-cholera campaign undertaken by the Ministry of Health (MOH) with A.I.D. support. To date, with fewer than 20 reported cholera cases and no deaths, Honduras is the leader in the Hemisphere in combatting the disease. The AIDS front is not so positive. The cholera awareness campaign has drawn some attention from AIDS awareness programs. Meanwhile, the number of new cases detected increased from 581 in 1990 to 1,000 in 1991. On the positive side, an open attitude still prevails and the GOH and private groups are expanding their AIDS networks.

In education, more children starting first grade are completing the fourth grade (the minimum needed for literacy) and the sixth. In 1991, 110,300 (43%) of those who started first grade completed the fourth grade and 83,000 (32%) completed the sixth, as compared with the 84,600 (36.7%) who completed fourth and the 61,700 (27.4%) who completed the sixth in 1986.

GOAL 2: Consolidation of the Honduran Democratic System

Objective 5: More responsive selected democratic institutions and processes, with greater citizen participation

Over the last year, USAID assistance to the judicial system has been going well at the technical and policy levels. In March 1991, the 1990 Judicial Career Law, which provides for merit selection and promotion of court personnel, went into effect. A detailed personnel and administrative system to support implementation of the law will be completed by this summer. The public defenders, prosecutors, and "degree qualified" justices of the peace programs have been incorporated into the permanent personnel structure of the Court. In spite of these and other advances, the Congress and the Executive Branch have evidenced a lack of support for judicial reform through the inadequate budget allocated to the Court. We anticipate this will be a continuing problem over the medium term.

The potential of municipal development as a means of increasing citizen participation is being demonstrated in the four municipalities that are currently receiving USAID technical assistance (assistance to 14 communities is planned). The municipalities have held their first-ever open town meetings to discuss municipal budget and investment plans. Two municipalities have organized municipal development committees with broad community involvement and representation. In addition, the National Association of Municipalities has restructured itself and developed a work place to become a stronger advocate for municipal interests and reform.

Table 1: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: USAID/HONDURAS

LAC Bureau Objective 1: SUPPORT THE ACHIEVEMENT OF BROADLY-BASED, SUSTAINABLE ECONOMIC GROWTH

- Sub-Objectives: A. ENCOURAGE ECONOMIC POLICIES THAT PROMOTE INVESTMENT, PRODUCTIVE EMPLOYMENT AND OUTWARD-ORIENTED DIVERSIFICATION
 B. ENCOURAGE A VIGOROUS RESPONSE BY THE PRIVATE SECTOR TO A FAVORABLE POLICY ENVIRONMENT

Mission Goal 1: EQUITABLE AND SUSTAINABLE ECONOMIC GROWTH AND DEVELOPMENT

Mission Strategic Objective 1: INCREASED AGRICULTURAL INVESTMENT, PRODUCTION, AND EXPORTS

Performance Indicators	Unit	Base-line		Target		Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Value	Date	Value	Date	
A. GROWTH IN AGRICULTURE SECTOR GDP	Percent	1.16%	1990	4.5%	1995	3.4%	1991	3.2%	1992	National Accounts
B. INCREASED DOMESTIC AGRICULTURAL PRODUCTION	Thousand Metric Tons of Corn Produced in AG Production Year (May-Apr)	558	1990-91	625	1995-96	553	1991-92	590	1992-93	National Accounts
C. INCREASED EXPORT EARNINGS FROM AGRICULTURE	Percent Annual Growth	-1.5%	1990	9.0%	1995	0.0%	1991	8.0%	1992	National Accounts
	Total Agricultural Exports/\$US millions	780	1990	1,100	1995	790	1991	810	1992	National Accounts
D. INCREASED INVESTMENT IN AGRICULTURE	\$US millions	Baseline to be Determined Within a Year	1993	Not Yet Available	--	N/A	1991	N/A	1992	National Accounts

Table 1: Strategic Objective 1: INCREASE AGRICULTURAL INVESTMENT PRODUCTION AND EXPORTS

Program Output 1.1: IMPROVED PROFITABILITY AND CLIMATE FOR AGRICULTURAL INVESTMENT (Continued)

Program Output Indicators	Unit	Base-line		Target			Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Revised	Value	Date	Value	Date	
A. REDUCTION IN AGRICULTURE TRADE DISTORTIONS	Effective Protection Coefficient for Selected Crops:		1988		1996			1991		1992	Policy Analysis and Implementation Project
	Corn	0.80		1.05-1.1			.91		0.90 - 1.10		
	Sugar	1.29		1.05-1.1			.45		0.90 - 1.10		
	Coffee	.73		1.05-1.1			.82		0.90 - 1.10		
	Bananas	1.02		1.05-1.1			1.02		0.90 - 1.10		
	Melons	.95		1.05-1.1			Not Avail.		0.90 - 1.10		
	Beef	.88		1.05-1.1			Not Avail.		0.90 - 1.10		
B. ELIMINATION OF GOH CONTROLS ON INTEREST RATES FOR AGRICULTURAL ACTIVITIES	Same as Output Indicator	Widespread Interest Rate Controls in Agriculture	1990	Interest Rate Controls Eliminated	1993		Interest Rate Controls Removed From All Agricultural Commodities Except Basic Grains	1991	Adoption of Market-Oriented Rediscount Rate Formula for All Agricultural Commodities Except Basic Grains	1992	National Accounts
C. ELIMINATION OF QUANTITATIVE AGRICULTURE IMPORT RESTRICTIONS	Same as Output Indicator	Restrictions in Place	1990	Quantitative Restrictions Eliminated	1992		Analysis and Legal Proposal Completed	1991	Same as Target	1992	The GOH Gazette
D. ESTABLISHMENT OF LEGAL BASIS FOR LAND RENTALS	Same as Output Indicator	Land Rentals Illegal	1990	Land Rental System Established	1992		Studies on Legalization of Land Rentals	1991	Same as Target	1992	The GOH Gazette

Table 1: Strategic Objective 1: INCREASE AGRICULTURAL INVESTMENT PRODUCTION AND EXPORTS

Program Output 1.1: IMPROVED PROFITABILITY AND CLIMATE FOR AGRICULTURAL INVESTMENT (Continued)

Program Output Indicators	Unit	Base-line		Target		Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Value	Date	Value	Date	
E. ELIMINATION OF GOH INTERVENTION IN SEED PRODUCTION (MNR - MINISTRY OF NATURAL RESOURCES)	Same as Output Indicator	MNR Set Seed Prices, and Operated Own Plants	1988	GOH Seed Production	1994	GOH Decides to Privatize Seed Production	1991	GOH Begins Revision of Seed Law, and Lending Plants to Private Sector	1992	The GOH Gazette
F. ELIMINATION OF GOH INTERVENTION IN GRAIN MARKETING (HMSA - HONDURAN AGRICULTURAL MARKETING INSTITUTE)	Same as Output Indicator	HMSA Setting Prices and Buying/Selling Grains	1988	GOH Out of Grain Marketing	1992	Passage of Price Band Legislation	1991	Price Band Established	1992	The GOH Gazette
G. ELIMINATION OF PUBLIC SECTOR INVOLVEMENT IN SUGAR PRODUCTION	Same as Output Indicator	Large Sugar Mills Government Run	1988	GOH Out of Sugar Production	1994	Sugar Mill Studies Conducted	1991	One Sugar Mill Privatized	1992	The GOH Gazette
H. ELIMINATION OF GOH INTERVENTION IN FERTILIZER RETAILING (BANADESA PRIVATIZATION)	Same as Output Indicator	BANADESA Involved in Fertilizer Marketing	1988	GOH Out of Fertilizer Retailing	1994	N/A	1991	N/A	1992	The GOH Gazette

Program Output 1.2: INCREASED PROMOTION OF PRIVATE INVESTMENT IN DOMESTIC AND EXPORT AGRICULTURE

Program Output Indicator	Unit	Base-line		Target		Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Value	Date	Value	Date	
A. INCREASED NUMBER OF AGRICULTURE EXPORT PROMOTION EVENTS SPONSORED BY FPX (OFF-SHORE TRADE FAIRS, TRADE MISSION TO HONDURAS, SYMPOSIUMS, AND LOCAL FIELD DAYS)	Cumulative Number of Events	3	1988	37	1997	7	1991	12	1992	FPX Reports

Table 1: Strategic Objective 1: INCREASE AGRICULTURAL INVESTMENT PRODUCTION AND EXPORTS

Program Output 1.3: INCREASED ACCESS TO MARKETS AND FACTORS OF PRODUCTION

Program Output Indicators	Unit	Base-line		Target			Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Revised	Value	Date	Value	Date	
A. INCREASED QUANTITY OF FERTILIZER IMPORTS NON BANANA COMPANY	Metric Tons	70	1988	140	1987		86 (E4)	1991	92	1992	Port Records
B. REDUCTION IN COFFEE QUALITY DISCOUNT* FOR AID ASSISTED COFFEE PRODUCERS	\$/US/100 Pound Discount	10	1988	4	1987		8	1991	7	1992	DICOM- CAFE, UNIO- COOP
C. INCREASED NUMBER OF LAND SALES	Number of Land Sales to: Men (M) Women (W)	Not Yet Available	1990	Not Yet Available	--		N/A	1991	N/A	1992	Sample Surveys
D. INCREASED VALUE OF LAND SALES	\$/US Millions	Not Yet Available	1990	Not Yet Available	--		N/A	1991	N/A	1992	Sample Surveys

* For each dollar reduction in average discount, Honduras benefits from an increase of foreign exchange of 2.5 million.

Program Output 1.4: CREATION/STRENGTHENING OF PRIVATE SECTOR INSTITUTIONS SERVICING AGRICULTURE

Program Output Indicators	Unit	Base-line		Target			Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Revised	Value	Date	Value	Date	
A. FMA MEETS CORE COSTS WITH FEES AND ENDOWMENT	Income as a Percent of Operating Costs	41%	1990	100%	1994		38%	1991	51%	1992	FMA Annual Report
B. PPX MEETS OPERATING COSTS WITH FEES AND OTHER BUSINESS INCOME	Income as a Percent of Operating Costs	30%	1990	100%	1996		40%	1991	57%	1992	PPX Annual Report
C. INCREASED NUMBER OF VIABLE FARMER- OWNED OUTLETS FOR AGRICULTURE INPUTS	Number of Viable Farmer-Owned Outlets	13	1987	80	1997		41	1991	46	1992	Small Farmer Agri- business Develop- ment

LAC Bureau Objective 1: SUPPORT THE ACHIEVEMENT OF BROADLY-BASED, SUSTAINABLE ECONOMIC GROWTH

- Sub-Objectives: A. ENCOURAGE ECONOMIC POLICIES THAT PROMOTE INVESTMENT, PRODUCTIVE EMPLOYMENT AND OUTWARD-ORIENTED DIVERSIFICATION
B. ENCOURAGE A VIGOROUS RESPONSE BY THE PRIVATE SECTOR TO A FAVORABLE POLICY ENVIRONMENT

Mission Goal 1: EQUITABLE AND SUSTAINABLE ECONOMIC GROWTH AND DEVELOPMENT

Mission Strategic Objective 2: INCREASE PRIVATE INVESTMENT, PRODUCTION AND TRADE

Performance Indicators	Unit	Base-line		Target			Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Revised	Value	Date	Value	Date	
A. INCREASED GROSS PRIVATE INVESTMENT	Percent GDP	7%	1990	11%	1995		7%	1991	8%	1992	National Accounts
B. INCREASED EXPORT EARNINGS FROM MANUFACTURING	Percent Annual Growth	Baseline to be Determined Within a Year	1990	Not Yet Available	1995		N/A	1991	Same as Baseline	1992	National Accounts
	\$ US Billions	Baseline to be Determined Within a Year	1992	Not Yet Available	1995		N/A	1991	Same as Baseline	1992	

Program Output 2.1: TRADE REFORMS ADOPTED

Program Output Indicators	Unit	Base-line		Target			Current Year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Revised	Value	Date	Value	Date	
A. MAXIMUM IMPORT TARIFF REDUCED (NCL SURCHARGES)	Percent CIF Value	125%	1990	15%	1995		80%	1991	35%	1992	Ministry of Finance
B. EXPORT TARIFFS ELIMINATED (EXCEPT FOR BANANAS)	Percent CIF Value	8-12%	1990	0%	1995		7% (Max)	1991	7% (Max)	1992	Ministry of Finance

Table 1: Strategic Objective 2: INCREASE PRIVATE INVESTMENT, PRODUCTION AND TRADE

Program Output 2.2: PRIVATIZATION PROCESS ACCELERATED

Program Output Indicators	Unit	Base-line		Target			Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Revised	Value	Date	Value	Date	
A. PRIVATIZATION LAW AMENDED	Same as Output Indicator	Original Privatization Law Was Passed	1985	Passage of Privatization Amendment	1992		N/A	1991	Same as Target	1992	National Congress
B. IMPLEMENTATION PROCEDURES SIMPLIFIED	Same as Output Indicator	Current Procedures Cumbersome	1985	New Simplified Procedures in Place	1992		N/A	1991	Same as Target	1992	Privatization Commission
C. INCREASED NUMBER OF PRIVATIZATIONS	Cumulative Number of Privatizations	0	1985	45	1995		18	1991	25	1992	Privatization Project

Program Output 2.3: IMPROVED INVESTMENT CLIMATE

Program Output Indicators	Unit	Base-line		Target			Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Revised	Value	Date	Value	Date	
A. NEW INVESTMENT LAW PASSED	Same as Output Indicator	Existing Investment Law Not Observed	1990	Passage of New Investment Law	1992		N/A	1991	Same as Target	1992	National Congress
B. IMPLEMENTING REGULATIONS FOR NEW INVESTMENT LAW ISSUED	Same as Output Indicator	N/A		Implementations Regulations Enacted	1992		N/A	1991	Same as Target	1992	National Congress

Table 1: Strategic Objective 2: INCREASE PRIVATE INVESTMENT, PRODUCTION AND TRADE
Program Output 2.4: IMPROVED FINANCIAL INTERMEDIATION

Program Output Indicators	Unit	Base-line		Target			Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Revised	Value	Date	Value	Date	
A. GROSS DOMESTIC SAVINGS INCREASED	Percent GDP	6%	1990	15%	1995		7%	1991	10%	1992	Central Bank
B. BANK RESERVE REQUIREMENTS DECREASED	Percent Bank Deposits	30%	1991	20%	1995		Same as Baseline	1991	30%	1992	Central Bank
C. LEGAL FRAMEWORK MODERNIZED	Same as Output	Legal Framework Unchanged Since 1990	1990	Revised Legal Framework	1995		Legislation Reviewed	1991	Powers of Super-Intendency Strengthened	1992	National Congress
D. BANK SPREADS REDUCED	Margin Between Bank Loans and Deposits	6.3%	1991	3.0%	1995		6.3%	1991	6.0%	1992	Superintendency of Banks
E. ACCESS TO CREDIT IMPROVED	Cumulative Number of New Loans to Small Enterprises: Male-Owned (M) Female-Owned (F)	5,000	1995	30,000 (T) 13,000 (M) 16,000 (F)	1995		21,864 (T) 9,540 (M) 12,344 (F)	1991	24,000 (T) 10,800 (M) 13,200 (F)	1992	Small Business Project

Program Output 2.5: INCREASED INVESTMENT PROMOTION AND EXPORT DEVELOPMENT

Program Output Indicators	Unit	Base-line		Target			Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Revised	Value	Date	Value	Date	
A. INCREASED FOREIGN EXCHANGE AND JOBS GENERATED FROM AID-SUPPORTED PPZS/ETZS	Cumulative Jobs Created \$US millions	2,500 10.0	1990	50,000 200.0	1997		12,000 50.0	1991	19,000 75.0	1992	FOE
B. ADDITIONAL NEW INVESTMENT IN EPZS	\$US millions	11.0	1990	94.0	1997		24.0	1991	38.0	1992	FOE

Table 1: Strategic Objective 2: INCREASE PRIVATE INVESTMENT, PRODUCTION AND TRADE

Program Output 2.B: INCREASED INVESTMENT PROMOTION AND EXPORT DEVELOPMENT (Continued)

Program Output Indicators	Unit	Base-line		Target			Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Revised	Value	Date	Value	Date	
C. INCREASED NUMBER OF COMPANIES ASSISTED BY FIDE THAT EXPORT	Companies	44	1990	135	1997		77	1991	90	1992	FIDE

Program Output 2.B: SELECTED PRIVATE SECTOR INSTITUTIONS STRENGTHENED

Program Output Indicators	Unit	Base-line		Target			Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Revised	Value	Date	Value	Date	
A. SELF SUFFICIENT CREDIT PROGRAMS OF FINANCIAL-INTERMEDIARY PVOs	Cumulative Financial Intermediary PVOs	1 PVO	1990	4 PVOs	1994		1 PVO	1991	3 PVOs	1992	AID/Analysis
B. COHEP INSTITUTIONALLY SOUND AND EFFECTIVELY NEGOTIATING MARKET-ORIENTED POLICY	Cumulative Number of Market-Oriented Policy Reforms Negotiated	4	1991	12	1995		Same as Baseline		7	1992	COHEP Financial Records
C. CXC FINANCIALLY SELF-SUSTAINING	Percent Operations Covered by Fees	65%	1987	100%	1993		75%	1991	90%	1992	CXC Financial Records
D. FIDE ABLE TO SUSTAIN ITS OPERATIONS FROM FEES AND OTHER DOMESTIC SOURCES	Millions of Lempires Collected from Fees and Other Domestic Sources Deposited in Sustainability Fund	2.0	1991	65.0	1997		Same as Baseline	1991	4.0	1992	FIDE Financial Status Reports
E. STRENGTHENED HONDURAN BANKERS ASSOCIATION (AHBA)	Same as Output Indicator	AHBA Formally Established	1991	AHBA Self-Sufficient With Permanent Training Program	1996		Same as Baseline	1991	Start Training Program Initiated	1992	AHBA Financial Records

LAC Bureau Objective 1: SUPPORT THE ACHIEVEMENT OF BROADLY-BASED, SUSTAINABLE ECONOMIC GROWTH

Sub-Objective: D. ENCOURAGE PRESERVATION AND SUSTAINABLE USE OF THE NATURAL RESOURCE BASE

Mission Goal 1: EQUITABLE AND SUSTAINABLE ECONOMIC GROWTH AND DEVELOPMENT

Mission Strategic Objective 3: MORE EFFICIENT MANAGEMENT AND SUSTAINABLE USE OF SELECTED NATURAL RESOURCES

Performance Indicators	Unit	Base-line		Target			Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Revised	Value	Date	Value	Date	
A. AREA OF FORESTS MANAGED FOR SUSTAINABILITY IN MODEL MANAGEMENT UNITS	Cumulative Hectares	0	1988	114,000	1994		45,000	1991	102,000	1992	Forestry Project Report
B. AREA OF PINE FOREST HARVESTED ACCORDING TO ACCEPTABLE FOREST MANAGEMENT PRACTICES NATIONWIDE	Cumulative Hectares	0	1988	142,000	1994		47,000	1991	77,000	1992	Forestry Project Report
C. HOUSEHOLDS PRACTICING ENVIRONMENTALLY SOUND CULTIVATION PRACTICES	Number of Farm Families: Male-Headed (M) Female-Headed (F)	11,000 (T) 10,120 (M) 880 (F)	1988	39,000 (T) 35,860 (M) 3,120 (F)	1997		17,320 (T) 15,820 (M) 1,400 (F)	1991	18,470 (T) 16,980 (M) 1,490 (F)	1992	LJPE Project
D. ECOSYSTEMS EVALUATED FOR ENVIRONMENTAL ACTIVITIES	Cumulative Number of Assessments/Studies	N/A	1988	5	1997		1	1991	3	1992	Special Studies

Table 1: Strategic Objective 3: MORE EFFICIENT MANAGEMENT AND SUSTAINABLE USE OF SELECTED NATURAL RESOURCES

Program Output 3.1: IMPROVED POLICY FRAMEWORK

Program Output Indicators	Unit	Base-line		Target			Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Revised	Value	Date	Value	Date	
A. IMPROVED AGRICULTURAL WATER USE LEGISLATION PASSED	Same as Output Indicator	Current Legislation Does Not Provide for Adequate Management and Conservation of Resources	--	Water Use Law(s) Passed	1992		Technical Experts Reviewed Water Rights and Water Management Practices	1991	Same as Target	1992	The GOH Gazette
B. IMPLEMENTING REGULATION FOR IMPROVED AGRICULTURAL WATER USE LAWS ISSUED	Same as Output Indicator	Inefficient Water Use	1992	Water Use Regulations Enacted	1993		N/A	1991	Same as Baseline	1992	The GOH Gazette
C. IMPROVED FOREST MANAGEMENT LEGISLATION PASSED	Same as Output Indicator	Poor Forestry Management and Conservation	1991	Forest Management Law(s) Passed	1992		Same as Baseline	1991	Same as Target	1992	The GOH Gazette
D. IMPLEMENTING REGULATIONS FOR IMPROVED FOREST MANAGEMENT LAWS ISSUED	Same as Output Indicator	N/A	1992	Forest Management Regulations Enacted	1993		N/A	1991	Same as Baseline	1992	The GOH Gazette
E. IMPROVED ENVIRONMENTAL LEGISLATION PASSED	Same as Output Indicator	Lack of Environmental Coordination/Planning	1992	Environmental Law(s) Passed	1993		N/A	1991	Same as Baseline	1992	The GOH Gazette
F. IMPLEMENTING REGULATIONS FOR IMPROVED ENVIRONMENTAL LAW ISSUED	Same as Output Indicator	N/A	1992	Environmental Regulations Enacted	1994		N/A	1991	Same as Baseline	1992	The GOH Gazette

Table 1: Strategic Objective 3: MORE EFFICIENT MANAGEMENT AND SUSTAINABLE USE OF SELECTED NATURAL RESOURCES

Program Output 3.2: REORIENTED GOH INSTITUTIONS RESPONSIBLE FOR NATURAL RESOURCES

Program Output Indicator	Unit	Base-line		Target			Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Revised	Value	Date	Value	Date	
A. ALL CONDEFOR INDUSTRIAL OPERATIONS DIVESTED	Cumulative Number of Enterprises	N/A	1988	5	1994		2	1991	3	1992	CONDEFOR

Program Output 3.3: INCREASED ENVIRONMENTAL AWARENESS AND TECHNOLOGY TRANSFER

Program Output Indicators	Unit	Base-line		Target			Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Revised	Value	Date	Value	Date	
A. HOUSEHOLDS RECEIVING TECHNICAL ASSISTANCE ON ENVIRONMENTALLY SOUND CULTIVATION AND ANIMAL HUSBANDRY PRACTICES	No. of Farm Families: Male-Headed Female-Headed	11,000 (T) 10,120 (M) 880 (F)	1989	61,000 (T) 47,020 (M) 13,380 (F)	1997		17,320 (T) 15,820 (M) 1,400 (F)	1991	18,420 (T) 16,980 (M) 1,400 (F)	1992	LUPE Project
B. TRANSFER OF FOREST RESOURCES MANAGEMENT TECHNOLOGY TO THE PRIVATE SECTOR	Person-months of Training	0	1988	344	1994		210	1991	324	1992	Forestry Project
	Cumulative	0	1988	70	1994		53	1991	69	1992	
C. ENVIRONMENTAL MATERIALS DEVELOPED AND DISSEMINATED TO SELECTED AUDIENCES	Number of Materials Distributed	0	1991	76,000	1994		Same as Baseline	1991	26,000	1992	LUPE/FDP Projects
D. ACTIVITIES PROMOTING ENVIRONMENTAL AWARENESS TO SELECTED AUDIENCE CARRIED OUT	Number of Activities	0	1991	16	1994		Same as Baseline	1991	6	1992	LUPE/FDP Projects

Table 1: Strategic Objective 3: MORE EFFICIENT MANAGEMENT AND SUSTAINABLE USE OF SELECTED NATURAL RESOURCES

Program Output 3.4: INCREASED PRIVATE SECTOR CAPACITY TO IMPROVE NATURAL RESOURCES MANAGEMENT

Program Output Indicators	Unit	Base-line		Target			Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Revised	Value	Date	Value	Date	
A. ENVIRONMENTAL TRUST FUND TO SUPPORT PRIVATE SECTOR NATURAL RESOURCE ACTIVITIES ESTABLISHED	Same as Output Indicators	No Environmental Fund Exists	1991	Trust Fund Established	1992		Same as Baseline	--	Same as Target	1992	Fundación VIDA
B. NGOS WORKING ON NATURAL RESOURCES MANAGEMENT ACTIVITIES	Number of NGOS	Limited Number of NGOS in Natural Resources Management	1991	10	1997		Same as Baseline	1991	1	1992	Fundación VIDA

LAC Bureau Objective 1: SUPPORT THE ACHIEVEMENT OF BROADLY-BASED, SUSTAINABLE ECONOMIC GROWTH

Sub-Objective: C. ENCOURAGE INCREASED ECONOMIC OPPORTUNITIES FOR THE DISADVANTAGED

Mission Goal 1: EQUITABLE AND SUSTAINABLE ECONOMIC GROWTH AND DEVELOPMENT

Mission Strategic Objective 4: HEALTHIER, BETTER-EDUCATED HONDURANS

Performance Indicators	Unit	Base-line		Target		Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Value	Date	Value	Date	
A. REDUCED INFANT MORTALITY RATE	Deaths per 1000 Live Births	61	1986	46	1995	56	1991	54	1992	EFHS 1987 and Projections
B. REDUCED TOTAL FERTILITY RATE	Total Average Live Births per Woman of Fertile Age	5.6	1987	4.7	1995	5.2 (est)	1991	5.1	1992	EFHS 1987 and Projections
C. REDUCED LEVEL OF MALNUTRITION AMONG CHILDREN 5 AND UNDER	Percentage of Children 5 and Under at Level 2 or Worse Malnutrition	20.6	1987	16.0	1995	16.5 (est)	1991	16	1992	EFHS 1987 and Projections
D. DECELERATED RATE OF GROWTH OF INCIDENCE OF AIDS AND OTHER STDs	Number of New Cases Detected: AIDS**	729 (T) 523 (M) 206 (F)	1990	13,032 (T) 8,411 (M) 4,621 (F)	1995	1,000 (T) 646 (M) 355 (F)	1991	1,900 (T) 1,226 (M) 674 (F)	1992	Ministry of Health Epidemiology Division
	STDs**	9,402	1991	19,495	1995	9,402	1991		1992	

* EFHS: Epidemiology and Family Health Surveys 1984, 1987, 1991

** Shows 10% Decrease in Rate Over Prior Year

*** Shows 20% Increase in Cases Over Prior Year, Gender-Disaggregated Data not Yet Available

Table 1: Strategic Objective 4: HEALTHIER, BETTER-EDUCATED HONDURANS (Continued)

Performance Indicators	Unit	Base-line		Target		Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Value	Date	Value	Date	
E. INCREASED NUMBERS AND PERCENTAGES OF PEOPLE STARTING FIRST GRADE WHO COMPLETE FOURTH GRADE	Thousands of People:- Male (M)	84.6	1986	122.2	1986	110.3	1991	115.0	1992	Ministry of Education (MOE)
	Female (F)									
	Percent of Cohort in First Grade:- Male (M)	35.7%	1986	45%	1986	43%	1991	41%	1992	Ministry of Education (MOE)
F. INCREASED NUMBERS AND PERCENTAGES OF PEOPLE STARTING FIRST GRADE WHO COMPLETE SIXTH GRADE	Thousands of People:- Male (M)	61.7	1986	86.9	1986	83.0	1991	86.0	1992	Ministry of Education (MOE)
	Female (F)									
	Percent of Cohort in First Grade:- Male (M)	27.4%	1986	34%	1986	32%	1991	33%	1992	Ministry of Education (MOE)
G. INCREASED ACADEMIC ACHIEVEMENT LEVELS IN GRADES 1-6	Scores From Criteria Based Testing:- Male (M)	Baseline to Be Determined	1993	Not Yet Available	1996	N/A	1991	N/A	1992	Ministry of Education (MOE)
	Female (F)									
	People in Grade School (Thousands):- Male (M)	810	1986	975	1986	927	1991	940	1992	Ministry of Education (MOE)
H. INCREASED COVERAGE IN GRADES 1-6	Female (F)									

* Gender-Disaggregated Data will be Provided Next Year

Table 1: Strategic Objective 4: HEALTHIER, BETTER-EDUCATED HONDURANS (Continued)

Program Output 4.1: INCREASED PERCENTAGE OF HONDURANS WHO PRACTICE FAMILY PLANNING

Program Output Indicator	Unit	Base-line		Target			Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Revised	Value	Date	Value	Date	
A. INCREASED CONTRACEPTIVE PREVALENCE	Percent Women in Union of Reproductive Age Using Family Planning Methods	41%	1987	52%	1995		46%	1991	47%	1992	EPHS*
B. REDUCED AGE-SPECIFIC FERTILITY RATES FOR WOMEN	Live Births per 100 Women Aged: 15-19	13.6	1987	10	1995		12	1991	11.5	1992	EPHS*
		16	1987	12.5	1995		18.5	1991	14.5	1992	EPHS*

Program Output 4.2: INCREASED EFFECTIVE BREASTFEEDING

Program Output Indicator	Unit	Base-line		Target			Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Revised	Value	Date	Value	Date	
A. INCREASED MEAN DURATION OF BREASTFEEDING	Number of Months	17.3	1987	18.0	1995		18.0	1991	18.0	1992	EPHS*
B. BREASTFEEDING EXCLUSIVELY FOR THE FIRST FOUR MONTHS	Percent of Mothers	8.5%	1987	10.0%	1995		8.6%	1991	7.9%	1992	EPHS*

* EPHS: Epidemiology and Family Health Surveys 1984, 1987, 1991

Table 1: Strategic Objective 4: HEALTHIER, BETTER-EDUCATED HONDURANS (Continued)

Program Output 4.3: INCREASED PERCENTAGE OF FERTILE AGED WOMEN AND CHILDREN AGE 5 AND UNDER WHO ARE VACCINATED

Program Output Indicator	Unit	Base-line		Target		Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Value	Date	Value	Date	
A. INCREASED PERCENTAGES OF WOMEN AGED 12 AND OVER VACCINATED FOR TETANUS TOXOID	Same as Output Indicator	40%	1990	80%	1995	72%	1991	75%	1992	Ministry of Health Annual Reports
B. INCREASED PERCENTAGES OF CHILDREN FIVE AND UNDER VACCINATED FOR SELECTED DISEASES: DPT MEASLES POLIO TUBERCULOSIS	Same as Output Indicator	80% 94% 80% 81%	1990 1990 1990 1990	95% 95% 95% 95%	1995 1995 1995 1995	87% 98% 91% 91%	1991 1991 1991 1991	90% 98% 95% 95%	1992 1992 1992 1992	Ministry of Health Annual Reports

Program Output 4.4: REDUCED INCIDENCE OF SELECTED DISEASES

Program Output Indicators	Unit	Base-line		Target		Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Value	Date	Value	Date	
A. MAINTAIN CHOLERA FATALITY RATE AT LESS THAN 1% OF THE REPORTED CHOLERA CASES	Percent Fatalities Due to Cholera	N/A	1990	<1%	1995	0.0%	1991	<1%	1992	Ministry of Health Annual Reports
B. REDUCED INCIDENCE OF DIARRHEA FOR CHILDREN UNDER 5	Percent Outpatient Visits of Children Under 5 to Health Centers for Treatment of Diarrhea	17.5%	1990	12.0%	1995	15.7%*	1991	14.5%*	1992	Ministry of Health Annual Reports

* Information to be made available in the 1992 Epidemiology and Family Health Survey

Table 1: Strategic Objective 4: HEALTHIER, BETTER-EDUCATED HONDURANS

Program Output 4.5: INCREASED USE OF AIDS PREVENTION PRACTICES

Program Output Indicators	Unit	Base-line		Target		Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Value	Date	Value	Date	
A. INCREASED TOTAL NUMBER OF CONDOMS DISTRIBUTED	Thousands of Condoms	3,600	1990	5,000	1995	3,982	1992	3,924*	1992	AID Procurement

* Supply line full; number reflects current demand

Program Output 4.6: INCREASED EFFICIENCY, QUALITY, AND COVERAGE OF PRIMARY EDUCATION SYSTEM

Program Output Indicator	Unit	Base-line		Target		Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Value	Date	Value	Date	
A. INCREASED PROMOTION RATES IN ALL GRADES	Percent Increase Over Base in Number Promoted:- Male (M) Female (F)	627,068	1986	<30%	1995	+24%	1992	+25%	1992	Ministry of Education (MOE)

* Gender-Disaggregated Data will be Provided Next Year

Program Output 4.8: INCREASED EFFICIENCY, QUALITY, AND COVERAGE OF PRIMARY EDUCATION SYSTEM (Continued)

Program Output Indicator	Unit	Base-line		Target		Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Value	Date	Value	Date	
B. INCREASED ACADEMIC ACHIEVEMENT LEVELS IN GRADES 1-6	Scores from Criteria Based Testing:- Male (M) Female (F)	Baseline to Be Determined	1993	Not Yet Available	1995	N/A	1991	N/A	1992	Ministry of Education (MOE)

* Gender-Disaggregated Data will be Provided Next Year

LAC Bureau Objective II: SUPPORT THE EVOLUTION OF STABLE PARTICIPATORY DEMOCRATIC SOCIETIES

- Sub-Objectives: A. STRENGTHEN CIVILIAN GOVERNMENT INSTITUTIONS
B. STRENGTHEN PUBLIC PARTICIPATION IN DEMOCRATIC PROCESS

Mission Goal II: CONSOLIDATION OF THE HONDURAS DEMOCRATIC SYSTEM

Mission Strategic Objective II: MORE RESPONSIVE SELECTED DEMOCRATIC INSTITUTIONS AND PROCESSES WITH GREATER CITIZEN PARTICIPATION

Performance Indicators	Unit	Base-line		Target		Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Value	Date	Value	Date	
A. PERCENTAGE OF PUBLIC THAT BELIEVES NATIONAL AND MUNICIPAL ELECTIONS ARE FAIR, OPEN, AND FREE	Percent Favorable Respondents: Male (M) Female (F)	80% (Est)	1990	70%	1993	WM not be Re-measured Until After 1993 Election	1991	WM not be Re-measured Until After 1993 Election	1992	Public Opinions Polls
B. INCREASED PUBLIC CONFIDENCE IN THE JUDICIAL SYSTEM	Percent Favorable Respondents: Male (M) Female (F)	No Baseline Values Available. Baseline Studies Will Be Completed Under Project Amendment in 1993	—	70%	1996	N/A	1991	N/A	1992	LAC/WID Study: Public Opinion Poll
C. IMPROVED PUBLIC PERCEPTION OF LOCAL AND NATIONAL GOVERNANCE	Percent Favorable Respondents: Male (M) Female (F)	Baseline Not Yet Available	1992	TBD	1997	N/A	1991	N/A	1992	Public Opinion Poll, LAC/WID Study
D. PASSAGE OF WELL-DEFINED INTERNALLY CONSISTENT AND SUPERSEDING MAJOR LEGISLATION AND ASSOCIATED REGULATIONS	Percent Major Laws Passed that Meet Output Criteria	No Baseline Values Available.	—	25%	1993	N/A	1991	N/A	1992	Special Study

Table 1: Strategic Objective 6: MORE RESPONSIVE SELECTED DEMOCRATIC INSTITUTIONS AND PROCESSES WITH GREATER CITIZEN PARTICIPATION

Program Output 6.1: GREATER AND MORE EFFICIENT INFORMATION USAGE IN DEVELOPING AND TRACKING LAWS

Program Output Indicator	Unit	Base-line		Target		Current Year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Value	Date	Value	Date	
A. REQUESTS FOR INFORMATION BY MEMBERS OF CONGRESS	Cumulative Number of Requests	No Legislation Reference Center	1991	100	1993	Same as Baseline	1991	25	1992	Secretaria Adjunta and CIEL* Records
B. TIMELY PRODUCTION AND DISTRIBUTION OF THE COMPLETE DAILY RECORD	Average Days Delay in Producing Daily Record	7	1991	1	1993	7	1991	4	1992	Secretaria Adjunta Records
C. INSTALLATION AND USE OF ADMINISTRATIVE SYSTEMS	Same as Output Indicator	0	1991	Systems Installed/Used	1992	Same as Baseline	1991	Same as Target	1992	Legislative Records

* Legislative Reference Center

Program Output 6.2: BETTER QUALIFIED AND MORE ETHICAL AND EFFICIENT JUDGES, ATTORNEYS, AND ADMINISTRATORS IN JUDICIAL INSTITUTIONS

Program Output Indicators	Unit	Base-line		Target		Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Value	Date	Value	Date	
A. ADHERENCE TO PRECEPTS OF JUDICIAL CAREER LAW	Career Law Organisms Functioning and Application of Personnel Hiring and Firing Procedures	No Organisms or Procedures in Place	1990	90%	1995	Technical Instruments Being Developed	1991	80%	1992	Personnel Records

Table 1: Strategic Objective 8: MORE RESPONSIVE SELECTED DEMOCRATIC INSTITUTIONS AND PROCESSES WITH GREATER CITIZEN PARTICIPATION

Program Output 8.2: BETTER QUALIFIED AND MORE ETHICAL AND EFFICIENT JUDGES, ATTORNEYS, AND ADMINISTRATORS IN JUDICIAL INSTITUTIONS (Continued)

Program Output Indicators	Unit	Base-line		Target		Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Value	Date	Value	Date	
B. TOTAL NUMBER OF FULL-TIME PUBLIC DEFENDERS, LAW SCHOOL GRADUATE JUSTICES OF THE PEACE PUBLIC PROSECUTORS, AND LIAISON OFFICE STAFF	Number of Full Time Public Defenders, Justices of the Peace (with Degree), and Public Prosecutors and Liaison Office Staff: Male (M) Female (F)	0	1990	422	1995	130	1991	274	1992	GOH Personnel Records
C. EFFECTIVE INSPECTOR GENERAL'S OFFICE	Percent Complaints Investigated and Closed Within 3 Months	0	1990	75%	1995	0	1991	5%	1992	Inspector General Case Records
	Regular Court Review System Established	No System in Place	1991	Court Review System Established	1995	Same as Baseline	1991	Court Review System Being Designed	1992	Inspector General Case Records

* Sex Disaggregated Data to be Determined

Program Output 8.3: FRAMEWORK INSTITUTIONALIZED FOR ONGOING LEGAL AND ADMINISTRATIVE REFORMS IN THE JUDICIAL SYSTEM

Program Output Indicators	Unit	Base-line		Target		Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Value	Date	Value	Date	
A. JUDICIARY RECEIVING ADEQUATE NATIONAL BUDGET SUPPORT TO CARRY OUT ITS RESPONSIBILITIES	Percentage of National Net Revenue for Judiciary	1.2%	1991	2.0%	1995	1.2%	1991	1.5%*	1992	National Budget

* Assumes additional L14.7 million in ESF counterpart will be approved for judiciary in national budget for 1992

Table 1: Strategic Objective 8: MORE RESPONSIVE SELECTED DEMOCRATIC INSTITUTIONS AND PROCESSES WITH GREATER CITIZEN PARTICIPATION

Program Output 8.3: FRAMEWORK INSTITUTIONALIZED FOR ONGOING LEGAL AND ADMINISTRATIVE REFORMS IN THE JUDICIAL SYSTEM (Continued)

Program Output Indicators	Unit	Base-line		Target		Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Value	Date	Value	Date	
B. PERCENTAGE OF JUDICIAL REFORMS COMMISSION BUDGET COVERED BY NATIONAL BUDGET	Same as Output Indicator	Salaries 90%	1991	Salaries (100%) Plus Study Budget (25%)	1995	Same as Baseline	1991	Salaries 90%	1992	National Budget

Program Output 8.4: FOURTEEN MUNICIPALITIES EXECUTE MANAGERIAL AND FINANCIAL FUNCTIONS ON A SUSTAINABLE BASIS IN RESPONSE TO CONSTITUENT NEEDS

Program Output Indicators	Unit	Base-line		Target		Current Year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Value	Date	Value	Date	
A. INCREASED NUMBER OF TOWN MEETINGS	Average Number of Town Meetings Per Municipality Per Year	1	1991	5	1997	Same as Baseline	1991	2	1992	Municipal Data
B. INCREASED PARTICIPATION OF COMMUNITY REPRESENTATIVES IN TOWN MEETINGS	Average Number of Participants per Meeting: Male (M) Female (F)	20	1991	200*	1997	Same as Baseline	1991	80*	1992	Municipal Data
D. INCREASED NUMBER OF MUNICIPALITIES SELECTING CITY ADMINISTRATORS BASED ON PROFESSIONAL CRITERIA	Number of Municipalities	0	1991	14	1997	Same as Baseline	1991	3	1992	Municipal Data
E. INCREASED PROPORTION OF MUNICIPAL BUDGETS GOING TO CAPITAL PROJECTS	Percent Increase of Municipal Budget for Capital Projects	Baseline to Be Determined Within a Year	1991	60%	1997	Same as Baseline	1991	15%**	1992	Municipal Data

* Gender Disaggregated Participation to be Determined

** Increase Over Base in Villanueva, Choloma, La Lima and El Progreso

Table 1: Strategic Objective 8: MORE RESPONSIVE SELECTED DEMOCRATIC INSTITUTIONS AND PROCESSES WITH GREATER CITIZEN PARTICIPATION

Program Output 8.4: FOURTEEN MUNICIPALITIES EXECUTE MANAGERIAL AND FINANCIAL FUNCTIONS ON A SUSTAINABLE BASIS IN RESPONSE TO CONSTITUENT NEEDS (Continued)

Program Output Indicators	Unit	Base-line		Target		Current Year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Value	Date	Value	Date	
F. INCREASED COVERAGE PROVISION OF PUBLIC SERVICES (WATER, SEWERAGE, AND ELECTRICITY) BY MUNICIPALITIES	Percent Increase in Families Receiving Public Services	Baseline to be Determined Within a Year	1991	30%	1997	Same as Baseline	1991	2%	1992	Municipal Data

* Increase Over Base in Villavieja, Choloma, La Lima and El Progreso

Program Output 8.5: GREATER NUMBER OF HONDURANS EXPOSED TO AND TRAINED IN DEMOCRATIC VALUES

Program Output Indicators	Unit	Base-line		Target		Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Value	Date	Value	Date	
A. CUMULATIVE NUMBER OF PEOPLE TRAINED IN THE UNITED STATES	People: Male (M) Female (F)	0	1986	2,300	1996	1,928	1991	1,975	1992	Honduras Peace Scholarships I & II
B. CUMULATIVE NUMBER OF TEXTBOOKS SOLD	Thousands of Textbooks	0	1986	420	1996	314.4	1991	345	1992	RTAC II

* Gender-Disaggregated Data will be Provided Next Year

Table 1: Strategic Objective B: MORE RESPONSIVE SELECTED DEMOCRATIC INSTITUTIONS AND PROCESSES WITH GREATER CITIZEN PARTICIPATION

Program Output 5.6: STRENGTHENED GOV AUDITING CAPABILITIES AND PUBLIC ACCOUNTABILITY

Program Output Indicators	Unit	Base-line		Target		Current year 1991		1992 Target		Data Source
		Value	Date	Value	Date	Value	Date	Value	Date	
A. CONTROLLER GENERAL CONDUCTING AUDITS IN ACCORDANCE WITH AICPA STANDARDS	Same as Output Indicator	Government Audits Conducted in a Traditional, Inefficient Manner with Under-Trained Staff	1988	Controller General Auditing Reports in Accordance with AICPA* Standards	1995	Basic for Financial Audit Standards Established	1991	Operational Audit Standards Established	1992	Non Federal Audit
B. AUDIT FINDINGS OF FRAUD AND CORRUPTION ARE PROSECUTED AND SANCTIONED	Same as Output Indicator	No Follow-On of Disclosures of Fraud and Corruption	1992	Based on Audit Evidence Cases of Fraud and Corruption are Prosecuted	1995	N/A	1991	N/A	1992	Court Records

* AICPA: American Institute of Certified Public Accounting

Table 2: STRATEGIC OBJECTIVE PROGRAM OVERVIEWS: USAID/ONDURAS

Strategic Objective 1: INCREASED AGRICULTURAL INVESTMENT, PRODUCTION AND EXPORTS

Program Output	Activities	Source of Support	
		Project Title	No.
1.1 IMPROVED PROFITABILITY AND CLIMATE FOR AGRICULTURAL INVESTMENT	Balance of Payments Support and Local Currency in Support of Policy Reforms	PL480 Title III Structural Adjustment Program	522-0305
	Policy Dialogue to Promote Liberalized Exchange Rate, Trade, Pricing, Land Use, and Financial Market Policies	Structural Adjustment Program	522-0306
	Provision of Technical Assistance to Support the Design and Implementation of Macroeconomic and Sectoral Policy Reforms	Policy Analysis and Implementation	522-0325
	Policy Dialogue to Promote the Liberalization of Agricultural Products, Input, and Financial Markets and the Privatization of Agricultural Production Activities Currently Managed by the Public Sector	PL480 Title III	PL480 Title III
	Provision of Technical Assistance to Support the Design and Implementation of Key Policy Reforms in the Agricultural Sector	Policy Analysis and Implementation	522-0325
1.2 INCREASED PROMOTION OF PRIVATE INVESTMENT IN DOMESTIC AND EXPORT AGRICULTURE	Promotion of Increased Investment in Agricultural Production, Related Processing and Marketing Ventures	Small Farmer Agribusiness Development Small Farmer Organization Strengthening Investment and Export Development Export Development and Services	522-0303 522-0302 522-0312 522-0207
	Stimulate Investment in New Products and Processing	Small Farmer Agribusiness Development Small Farmer Organization Strengthening Investment and Export Development Export Development and Services Agricultural Research Foundation	522-0303 522-0302 522-0312 522-0207 522-0249
	Technical Assistance to Assist in Elimination of Policy Distortions	Policy Analysis and Implementation	522-0325
	Technical Assistance to Help Develop Policies to Enhance Land and Forest Tenure Security	Policy Analysis and Implementation	522-0325

Table 2: STRATEGIC OBJECTIVE PROGRAM OVERVIEWS: USAID/HONDURAS

Strategic Objective 1: INCREASED AGRICULTURAL INVESTMENT, PRODUCTION AND EXPORTS

Program Output	Activities	Source of Support	
		Project Title	No.
1.3 INCREASED ACCESS TO MARKETS AND FACTORS OF PRODUCTION	Strengthen Agricultural Cooperative Distribution Network Promote Expansion of the Number of Farmer-Owned Businesses Providing Agriculture-Related Services to Members	Small Farmer Agribusiness Development Small Farmer Organization Strengthening	522-0083 522-0252
	Improve Technology Dissemination Develop New Production Technologies	Small Farmer Agribusiness Development Small Farmer Organization Strengthening Agricultural Research Foundation Investment and Export Development Export Development and Services	522-0083 522-0252 522-0249 522-0312 522-0207
	Expand/Improve Access to Market Information	Small Farmer Agribusiness Development Small Farmer Organization Strengthening Investment and Export Development Export Development and Services	522-0083 522-0252 522-0312 522-0207
	Design and Implement Policies to Legalize Land Rentals, Privatize Forests and Liberalize Trade	Policy Analysis and Implementation	522-0325
	Maintenance, Rehabilitation and Construction of Rural Roads on Areas of High Agricultural Production	Rural Roads Maintenance	522-0334
1.4 CREATION/STRENGTHENING OF PRIVATE SECTOR INSTITUTIONS SERVICING AGRICULTURE	Strengthen FPA into a Self-Sustaining, Effective Organization	Agricultural Research Foundation	522-0249
	Strengthen PPX into a Self-Sustaining Service Organization Assisting Agricultural Exporters	Export Development and Services Investment and Export Development	522-0207 522-0312
	Strengthen Farmer-Owned Service Businesses and Their Affiliate Federations	Small Farmer Agribusiness Development Small Farmer Organization Strengthening	522-0083 522-0252

Table 2: STRATEGIC OBJECTIVE PROGRAM OVERVIEWS: USAID/HONDURAS

Strategic Objective 2: INCREASED PRIVATE INVESTMENT, PRODUCTION AND TRADE

Program Output	Activities	Source of Support	
		Project Title	No.
2.1 TRADE REFORMS ADOPTED	Financial Support Provided to FIDE/CCG/COHEP to Conduct Studies and Actively Lobby for GOH Adoption of Trade Reform	Export Development and Services Investment and Export Development Chamber of Commerce and Industries of Cordoba Policy Analysis and Implementation	822-0207 822-0312 822-0363 822-0326
	Technical and Balance of Payment Support for the GOH Trade Reform Measures	Economic Stabilization and Recovery IV Policy Analysis and Implementation Structural Adjustment Program PL-480, Title III	822-0376 822-0326 822-0366
2.2 PRIVATIZATION PROCESS ACCELERATED	Technical Assistance Provided to the GOH to Continue the Privatization of State-Owned Enterprises	Privatization of State-Owned Enterprises Policy Analysis and Implementation	822-0299 822-0326
	Funding Provided to Assist the GOH in the Financing of its Divestiture of State-Owned Enterprises	Economic Stabilization and Recovery PL-480, Title III	822-0376
2.3 IMPROVED INVESTMENT CLIMATE	Technical Assistance and Financing Provided to FIDE to Improve its Overall Promotion Strategy (Domestically and Abroad) and Assist FIDE in the Financing of its Overseas Promotion Effort	Export Development and Services Investment Development and Services	822-0207 822-0312
	Technical Assistance to the GOH to Accelerate the Privatization of State-Owned Enterprises	Privatization of State-Owned Enterprises	822-0299
	Technical Assistance to COHEP to Develop and Put Forth Policy Reform Measures	Policy Analysis and Implementation	822-0326
	Technical Assistance to CCIC to Conduct Studies that Will Examine Infrastructure Constraints to Increased Investment	Chamber of Commerce and Industries of Cordoba	822-0363
	Balance of Payment Support Provided to Support GOH Reform Measures and the Self-Sustainability of FIDE	Economic Stabilization and Recovery Program PL-480, Title III	822-0376
2.4 IMPROVE FINANCIAL INTERMEDIATION	Technical Assistance Provided to the Central Bank and AHIBA* to: -- Improve Sector Policies and Review Legislation -- Modernize the Superintendency of Banks -- Strengthen and Computerize the Central Bank -- Develop New Financial Instruments/Mechanisms -- Provide Training to Bankers to Improve Skills	Policy Analysis and Implementation	822-0326
	Technical Assistance to FUNADEH*, ANDP*, CBH*, AHIBA* and Selected PYOs to Enable Them to Better Allocate Financial Resources to Small- and Micro-Enterprises	Small Business Development II	822-0241

* See Acronym Glossary, Annex B

Table 2: STRATEGIC OBJECTIVE PROGRAM OVERVIEWS: USAID/HONDURAS

Strategic Objective 2: INCREASED PRIVATE INVESTMENT, PRODUCTION AND TRADE

Program Output	Activities	Source of Support	
		Project Title	No.
2.5 INCREASED INVESTMENT PROMOTION AND EXPORT DEVELOPMENT	Technical Assistance to CCI ² to Conduct Studies that Will Recommend Solutions to Infrastructure Constraints that Impede Investment in the North Coast Region of Honduras	Chamber of Commerce and Industries of Cortés	522-0063
	Technical Assistance and Financing in Support of FIDE's Investment Promotion Effort to Increase Foreign/Domestic Investment in Productive Enterprises	Export Development and Services Investment and Export Development	522-0207 522-0312
	Technical Assistance and Financing to CONEP ³ to develop and Put Forth Policy Reform Measures Aimed at Improving the Overall Investment Climate	Policy Analysis and Implementation	522-0325
	Financing Provided to IDSC ⁴ to enable Technical Assistance to be Provided to the Private Sector to Increase the Productivity of Local Businesses	International Executive Service Corps.	522-0361
	Technical Assistance Provided to the GON to Accelerate the Privatization of State-Owned Enterprises	Privatization of State-Owned Enterprises	522-0269
2.6 SELECTED PRIVATE SECTOR INSTITUTIONS STRENGTHENED	Funding Provided to Strengthen Selected Private Sector Institutions Including FIDE, CONEP, CCI, ANSA ⁵ and Selected Financial PYOs and Enable These to Sustain their Operations Beyond the PACO of Each Respective Project Without Further External Financial Assistance	Chamber of Commerce and Industries of Cortés Export Development and Services Investment and Export Development Policy Analysis and Implementation	522-0063 522-0207 522-0312 522-0325

²See Acronym Glossary, Annex B

Table 2: STRATEGIC OBJECTIVE PROGRAM OVERVIEWS: USAID/MONDURAS

Strategic Objective 3: MORE EFFICIENT MANAGEMENT AND SUSTAINABLE USE OF SELECTED NATURAL RESOURCES

Program Output	Activities	Source of Support	
		Project Title	No.
3.1 IMPROVED POLICY FRAMEWORK	Development and Implementation of Forest Management Plans in Specific Model Areas Development and Implementation of a Timber Sales System that Mitigates the Environmental Effects of the Harvesting Operations and Prepares the Areas for Regeneration	Forestry Development Project	522-0246
3.2 REORIENTED GOH INSTITUTIONS RESPONSIBLE FOR NATURAL RESOURCES	Technical Assistance in the Implementation of CONDEFOP's Divestitures (Private Sector Office) Off-Shore Long Term Academic Training in Forestry for Persons Already with a Forestry Degree and Local Long Term Academic Training in Forest Technology Off-Shore and Local Short-Term Training	Forestry Development Project	522-0246
3.3 INCREASED ENVIRONMENTAL AWARENESS AND TECHNOLOGY TRANSFER	Local and Off-Shore Training in Forest Management	Forestry Development Project	522-0246
	Sustainable Agricultural Technologies for Marginal Hillside Farms Improved Cropping Practices (Alley, Cropping, Live Barriers, Cover Cropping, Planting Techniques, Natural Pesticides) Agroforestry and Silvopastoral Practices Crop Diversification Post-Harvest Interventions (Storage and Processing) Home Vegetable Gardens Animal Husbandry	Land Use Productivity Enhancement	522-0252
	Technical Assistance to Improve Management of Particularly Vulnerable Ecological Areas Such as Coastal Zones and Natural Reserves	Regional Environmental Natural Resources Management	500-0180
3.4 INCREASED ENVIRONMENTAL AWARENESS	Development of Elementary School Vegetable Gardens Teaching of General Ecology Principles and Community Clean-Up	Land Use Productivity Enhancement	522-0292
3.5 INCREASED PRIVATE SECTOR CAPACITY TO IMPROVE NATURAL RESOURCES MANAGEMENT	An Environmental Trust Fund Will Be Established Initially with GOH and USAID Contribution. The Fund will be Managed by FUNDACION VIDA*, a Recently Created National NGO	National Environmental Trust Fund	522-0386
	Rehabilitation of Irrigation Infrastructure in the Three Publicly Owned Irrigation Districts in Comayagua	PL-480, Title III	
	Technical Assistance and Training for National NGOs to Manage Protected Areas	Forestry Development National Environmental Trust Fund	522-0246 522-0386

*See Acronym Glossary, Annex B

Table 2: STRATEGIC OBJECTIVE PROGRAM OVERVIEWS: USAID/HONDURAS
Strategic Objective 4: HEALTHIER, BETTER EDUCATED-HONDURANS

Program Output	Activities	Source of Support	
		Project Title	No.
4.1 INCREASED PERCENTAGES OF HONDURANS WHO PRACTICE FAMILY PLANNING	Assistance to ASHONPLAFA* to Provide Clinical, Social Marketing and Community Distribution of Contraceptive Services	Private Sector Population II	822-0389
	Assistance to Foster Parent's Plan to Provide Educational and Referral Services		
4.2 INCREASED EFFECTIVE BREASTFEEDING	Assistance to Various PVO's Through INOPAL (The Population Council) to Provide Educational and Referral Services	Health Sector II	822-0216
	Assistance to ASHONPLAFA to Provide Educational Services	Private Sector Population II	822-0389
4.3 INCREASED PERCENTAGE OF FERTILE AGED WOMEN AND CHILDREN AGE 5 AND UNDER WHO ARE VACCINATED	Assistance to Foster Parent's Plan to Provide Educational Services		
	Assistance to Various PVO's Through INOPAL (The Population Council) to Provide Educational Services	Health Sector II	822-0216
4.4 REDUCED INCIDENCE OF SELECTED DISEASES	Assistance to the Ministry of Health and the Honduran Social Security Institute	Health Sector II	822-0216
	Provision of Cold Chain (Refrigeration) Equipment	Health Sector II	822-0216
4.5 INCREASED USE OF AIDS PREVENTION PRACTICES	Design, Pre-Test, Produce and Distribute Educational Materials	Health Sector II	822-0216
	Donate and Install in Health Centers Nebulizers (Vaporizers) for Children		
4.6 INCREASED EFFICIENCY, QUALITY, AND COVERAGE OF PRIMARY EDUCATION SYSTEM	Install and Utilize Heavy Equipment for Drainage Purposes in Malaric Areas	Health Sector II	822-0216
	Install Aqueducts With Potable Water and Latrines in Small Rural Communities	Health Sector II	822-0216
4.5 INCREASED USE OF AIDS PREVENTION PRACTICES	Rural PVO's to Work in Rural Water and Child Survival Projects	Health Sector II	822-0216
	Donation and Distribution of Condoms Through Health Centers and Retail Outlets	Health Sector II	822-0216
4.6 INCREASED EFFICIENCY, QUALITY, AND COVERAGE OF PRIMARY EDUCATION SYSTEM	Provision of Blood-Testing Reagents	Population Private Sector	822-0389
	Public Education on Prevention of AIDS and STDs Provided	Primary Education Efficiency	822-0273
4.5 INCREASED USE OF AIDS PREVENTION PRACTICES	Teacher and Supervisor Training		
	Develop and Distribute Textbooks, Workbooks, Modules, and Other Educational Materials		
4.6 INCREASED EFFICIENCY, QUALITY, AND COVERAGE OF PRIMARY EDUCATION SYSTEM	Construction and Repair of Schools		
	Conduct Educational Research		
4.5 INCREASED USE OF AIDS PREVENTION PRACTICES	Establish Minimum Competencies for Grades 1-6		
	Develop Standardized Tests for Grades 1-6		
4.6 INCREASED EFFICIENCY, QUALITY, AND COVERAGE OF PRIMARY EDUCATION SYSTEM	Strengthen Ministry of Education Management Information System		

*See Acronym Glossary, Annex B

Table 2: STRATEGIC OBJECTIVE PROGRAM OVERVIEWS: USAID/HONDURAS

Strategic Objective 5: MORE RESPONSIVE DEMOCRATIC INSTITUTIONS AND PROCESSES WITH GREATER CITIZEN PARTICIPATION

Program Output	Activities	Source of Support	
		Project Title	No.
5.1 GREATER INFORMATION USAGE IN DEVELOPING LAWS AND MORE EFFICIENT TRACKING OF LAW MAKING AND ADMINISTRATION PROCESSES	Establishment of Research and Investigative Department in the Legislative Research Center (CIEL) Installation of Information Systems Installation of Computerized Bill-Tracking Modernization of Administrative Functions	Strengthening Democratic Institutions (SDI)	522-0206
5.2 BETTER QUALIFIED MORE ETHICAL AND EFFICIENT JUDGES ATTORNEYS AND ADMINISTRATORS IN JUDICIAL INSTITUTIONS	Progressive Implementation of Judicial Career Law Training (Judicial and Administrative) Incorporation of Experimental Programs (Public Defenders, Public Prosecutors) into Court Using National Funds Establishment of Office of Professional Responsibility Development of Doctrines and Jurisprudence Systems Increased Coordination Between Police and Other Entities Involved in Administration of Justice by Strengthening Ethics Office and Coordinating Commission	Strengthening Democratic Institutions (SDI)	522-0206
5.3 FRAMEWORK INSTITUTIONALIZED FOR ONGOING LEGAL AND ADMINISTRATIVE REFORMS IN THE JUDICIAL SYSTEM (NJRC, NATIONAL BUDGET)	Provision of Financial Support to NJRC (National Judicial Reform Commission) Assistance in Budget Preparation, Including Support Documentation, for Presentation to Ministry of Finance	Strengthening Democratic Institutions (SDI)	522-0206
5.4 FOURTEEN MUNICIPALITIES EXECUTE MANAGERIAL AND FINANCIAL FUNCTIONS ON A SUSTAINABLE BASIS IN RESPONSE TO CONSTITUENT NEEDS	Provide Technical Assistance and Training to 14 Municipalities in Municipal and Financial Management, Service Provision and Community Participation/Involvement Assist in Coordination Among AMHON (National Association of Municipalities), Gobernación, Other Pertinent Central Government Institutions and Selected Municipalities for the Purpose of Facilitating the Transfer of Central Government Resources and Service Delivery Authority to Local Governments Assist in Dissemination of Municipal Law, Implementing Regulation and Related Legislation	Municipal Development Project	522-0340
5.5 GREATER NUMBER OF HONDURANS EXPOSED TO AND TRAINED IN DEMOCRATIC VALUES	Conduct National Seminars for Democratic Leaders	Strengthening Democratic Institutions (SDI)	522-0206
	Provide Scholarships for Training in the United States	Central American Peace Scholarships (CAPS) Honduran Peace Scholarships (HOPS) CLASP	522-0029 522-0064
	Develop and Distribute Textbooks	Regional Textbook Center (RTAC II)	522-0384
5.6 STRENGTHENED GOV AUDITING CAPABILITIES AND PUBLIC ACCOUNTABILITY	Provide Civic Education and Leadership Training Provide Training to Labor Unions	Strengthening Democratic Institutions (SDI)	522-0206
	Technical Assistance to Ministry of Finance for Debt Management Technical Assistance to Controller General for Quality Control of Audits Training in applying Modern Auditing Techniques	Strengthening Accountability Systems	522-0061

Table 2: STRATEGIC OBJECTIVE PROGRAM OVERVIEWS: USAID/HONDURAS

Strategic Objective 6: OTHER

Program Output	Activities	Source of Support	
		Project Title	No.
6.1 INCREASED NUMBER OF HOUSEHOLDS WITH ACCESS TO SHELTER, SANITATION, AND SAFE WATER SYSTEMS	Provide Technical Assistance to Public and Private Sector Shelter Institutions, and Municipalities in the Implementation of Shelter and Urban Upgrading Activities	Shelter Sector Program Urban Poor II Program C.A. Shelter and Urban Development Program	622-0204 622-HQ-008 606-HQ-006
	Finalize Implementation of the FONPOF Shelter Sector Program in San Pedro Sula for the Production of 5,197 Urban Lots		
	Finalize Implementation of the Tela and Choluteca Urban Upgrading Projects		
	Define Use of the Remaining Local Currency Urban Upgrading Funds		
6.2 INCREASED IRRIGATED AREAS UNDER EFFECTIVE WATER MANAGEMENT	Finalize Disbursement of CABLE Funds to FONV for Housing	Irrigation Development	622-0208
	Define Use of \$10 Million from CABLE for Urban Upgrading Investment		
6.3 CENTRALLY FUNDED ACTIVITIES	Technical Assistance in the Areas of Organization of Water Users Groups, Management of Irrigation Districts and On-Farm Water Management Continue to be Provided to Water Users Groups in Irrigation Districts of Comayagua	Borghum Millet CRSP BeauCow Psa CRSP Pond Dynamics/Aquaculture CRSP Soil Management CRSP (Tropsoils)	931-1264 931-1316 931-1314 931-1311
	Training and Working Closely with the Private Irrigation Engineers/Companies in Upgrading Knowledge and Skills in the Area of Irrigation Design and Construction. Development of Manuals, Norms and Standards of Irrigation Systems, Design and Construction.		
	Develop and Test New Varieties of Sorghum		
	Breed Disease-Resistant and Drought-Tolerant Beans		
	Research Low-Cost Feeding Products for Shrimp and Tilapia		
	Develop Improved, Ecologically Sound Soil-Management Technologies		

*See Acronym Glossary, Annex B

TABLE 4

LAC COUNTRY PERFORMANCE INDICATORS FOR HONDURAS

	Macroeconomic Reform	Domestic Finance of Deficit	Exchange Rate	Business Regulations	Trade Regime	Market Pricing	Education	Infant Vaccination (1989)	Contraceptive Prevalence (1987)	Environmental Management	Commitment to Democracy
LAC Rating of Honduras	7.5	0.0	0	1.5	0	7.5	4.0	82.5	33	6	5

PERFORMANCE RATINGS

	Overall Performance Ranking	Overall Performance (100%)	Macroeconomic Policy (50%)	Social Services (20%)	Environmental Management (10%)	Democracy/ Human Rights Commitment (20%)
LAC Rating of Honduras	9	69.8	38.5	9.8	6.0	15.5

MISSION COMMENTS ON COUNTRY PERFORMANCE INDICATORS

Mission review of the LAC Country Performance Indicators for Honduras indicates that the rationale supporting the Bureau assigned scores on most of the economic indicators and on one social indicator is based on outdated information. Applying Bureau methodology to newer information, we arrive at a set of scores that total 74.65 vs. 69.8. Such a score would move Honduras from ninth place to third in the country rankings, a more appropriate ranking.

1. Macro Reform Program

LAC Rating of Honduras: 7.5

USAID/Honduras proposed score: 9.0

Normally the score for this indicator is in the 10-8 range if the country has an economic program supported by the IFIs. The LAC macro reform score is too low. In general, Honduran macroeconomic performance has been very good. Honduras is leading Central America in reducing trade taxes. In addition to obtaining broad donor support, the GOH liberalized prices on nearly all agricultural goods in 1991, passed a major piece of agricultural legislation through Congress (which will make deep reforms in several areas of agricultural policy), prepared a law to greatly improve the investment code, increased exchange rate flexibility and lowered import tariffs.

The Honduran Economic Reform Program is fully supported by the IMF, World Bank (WB) and the Inter-American Development Bank (IDB). Honduras met all five IMF performance targets in September. It made four of the five year-end performance targets. Due to a late IDB disbursement, it missed the target on domestic financing of the public sector. The IMF waived this target in its Board meeting of February 14, 1992, leaving Honduras in full compliance with its program.

2. Domestic Financing of Deficit

LAC Rating of Honduras: 0.0

USAID/Honduras proposed score: 0.0

Net internal financing of the Public Sector deficit in 1991 was negative (estimated at -1.7% of GDP). Thus we agree with the LAC score.

3. Exchange Rate

LAC Rating of Honduras: 8

USAID/Honduras proposed score: 8.5

As reported in two cables (91 Tegucigalpa 13269 and 91 Tegucigalpa 16620), the GOH introduced considerable flexibility into its exchange rate regime in 1991. Although the black market rate approached a level almost 10 percent over the officially-sanctioned interbank rate a few times in 1991, during most of 1991 the spread was under 5 percent. To the contrary of what is implied in the LAC narrative, the exchange rate has not impeded the accumulation of reserves by the Central Bank. The GOH easily made its year-end stand-by target of increasing net international reserves by \$44 million in 1991.

4. Business Regulatory Environment

LAC Rating of Honduras: 1.5

USAID/Honduras proposed score: 2.0

Although the answers to the business regulatory environment questionnaire remain the same, there is demonstrable progress being made in Honduras to improve the investment climate and the business regulatory environment. A new investment law was presented to Congress in November 1991, which is at present being reviewed jointly by the private and public sectors in order to present it in final to the Congress for approval in March. The passage of this law and its implementing regulations will more favorably address several of the issues contained in the questionnaire. Rather than show progress in this area, or at least stability, the LAC rating shows a demotion for Honduras from last year's score of 2 to this year score of 1.5. Unless LAC is using some means of rating other than the questionnaire, this decline is unjustifiable and the score should be restored to 2 to reflect the actual situation.

5. Trade Regime

LAC Rating of Honduras: 8

USAID/Honduras proposed score: 9.0

In 1991, the average import tariff in Honduras was well below the maximum of 20 percent needed for a score of 10-8. There is no customs exoneration for computers (contrary to the statement in the LAC narrative). Since March 1990, Honduras has led Central America in trade regime improvements. The present import tariff range is 5-20 percent with a maximum surcharge of an additional 15 percentage points. The latter is scheduled for elimination in 1993. Honduras is applying for membership in the GATT. The import permit system was replaced by a registry system, which does not serve as a nontariff barrier. In 1992, the Government gave up its monopoly on basic grain imports and it liberalized these imports.

6. Market Pricing

LAC Rating of Honduras: 7.5

USAID/Honduras proposed score: 8.5

In 1991, Honduras eliminated price controls on all agricultural products but three: sugar, lard and low grade coffee. These controls are relatively minor. In addition, a price band system has been established for corn and rice. IHMA (the state marketing board) is preparing to sell or rent most of its silos and some have already been rented. The Government has stopped the practice of importing basic grains to depress domestic prices.

As part of its Energy Sector Program, supported by the WB and IDB, the GOH is relaxing price controls on energy products and agreed to a timetable to liberalize petroleum prices. Moreover, in May 1991 the GOH implemented large increases in electricity prices and, through monthly tariff increases, agreed to bring them up to their long run marginal cost by the end of 1992. Moreover, the GOH transferred rate making powers from Congress to a commission.

7. Elementary School Enrollment

LAC Rating of Honduras: 4.0

USAID/Honduras proposed score: 4.0

LAC score of 4 for Honduras was about right. In calculating the points, however, the management information system was only given a score of 1. The Ministry of Education is collecting data and utilizing it for decisions such as teacher placement, school location, distribution of textbooks/materials, etc. this warrants a rating of at least 2 for this activity.

8. Infant Vaccination Rates

LAC Rating of Honduras: 82.5

USAID/Honduras proposed score: 93.3

LAC shows 82.5 percent coverage of key vaccinations for children under 1 for 1990. Current figures from the Ministry of Health's expanded immunization program show the coverage for the same vaccinations and age groups to be 93.3 percent. Much of this increase is attributable to a very low availability of the BCG vaccine in 1990, and a full availability of BCG in 1991.

9. Modern Contraceptive Prevalence

LAC Rating of Honduras: 33

USAID Honduras score proposed: 33

The LAC performance indicators show a modern contraceptive prevalence of 33 which is correct according to the national epidemiological survey of 1987. This does not take into account natural methods that we are also promoting, which would raise the contraceptive prevalence rate for 1986 to 40.6. FYI: Preliminary indications from the survey conducted in 1991-92 are that the modern contraceptive rate is now around 38 and the total rate is around 46. The final figures will be available later this year and should be reflected in next year's performance indicators.

10. Environmental Management

LAC Rating of Honduras: 6

USAID/Honduras proposed score: 6

Based on the rating that the Mission did last year and the fact that little has changed since that time, the rating of 6 on the environment is appropriate.

11. Democracy and Human Rights

LAC Rating of Honduras: 5

USAID/Honduras proposed score: 5

Mission is in agreement with the Freedom House rating.

III. -- MONITORING AND EVALUATION PLAN

As mentioned in Section I of this Action Plan, USAID/Honduras participated with an LAC-sponsored PPAS team in an intensive exercise during the last weeks of January 1992. During that exercise, we revised our strategic objectives and performance indicators, and defined sets of program outputs and indicators.

During the weeks between the technical assistance team's departure and submission of this Action Plan, the Mission further refined the strategic objectives framework. Most of the work involved better specification of outputs and indicators, and identifying data sources, baseline, and interim targets. Tables 1 and 2 summarize our best thinking on this as of this time.

The Mission has not yet moved to the next step of preparing a Monitoring and Evaluation (M&E) Plan, especially given the brief period between the PPAS technical assistance and Action Plan submission. Based on experience with last year's Action Plan review and the PPAS technical assistance exercise and a review of draft guidance on M&E, we will need and have requested additional assistance with this next phase. A reading of draft M&E guidance reveals that AID/W is much farther along in its thinking on this subject than Missions, who are still struggling with the PPAS framework. As we prepare to invest scarce human and financial resources, we want to be confident that we are on track with AID/Washington's intent. At the same time, such assistance affords us the opportunity of providing feedback, especially regarding what is possible in the country environment.

Meanwhile, there are several activities either in progress or upcoming that may fit into the Plan.

(a) A baseline study for the measurement of the social and economic impact of the Export Processing Zones on workers and the surrounding communities. The study is planned to be completed in May 1992.

(b) Participation in the PL 480 Title III Socio-economic Impact Monitoring system which focuses on nutritional impact.

(c) Participation in the LAC/WID study that will assess responsiveness of municipal leaders to issues with a gender dimension.

**III. PORTFOLIO ANALYSIS:
NEW AND TERMINATING PROJECT
AND NONPROJECT INITIATIVES**

III. -- PORTFOLIO ANALYSIS: NEW AND TERMINATING PROJECT/NON-PROJECT INITIATIVES

A. Discussion of New Initiatives

1. Summary Statement

The following amendments and new projects are proposed for FY 1992, FY 1993 and FY 1994 to implement USAID's plan for achieving the strategic objectives in our CDSS and in LAC's "Economic Assistance Strategy for Central America, 1991-2000".

1992

522-0207 Export Development and Services (Amendment)

1993

522-0289 Privatization (Amendment)
 522-0312 Investment and Export Development (New)
 522-0381 Strengthening Accountability Systems (New)
 522-0385 National Environmental Trust Fund (New)
 Food Aid PL-480 Title II and Title III

1994

Food Aid PL-480 Title II and Title III

In order to align Mission resources with the portfolio of bilateral activities and public sector implementation capabilities, no stand-alone local currency projects are planned for this Action Plan period.

2. Relationship of New Initiatives to the CDSS, the Mission's Strategic Objectives and the LAC Bureau Objectives

The activities listed above directly result from the process of refinement of USAID's strategic objectives. The proposed activities support the Mission goals and the principal LAC Bureau objectives, namely broadly-based, sustainable economic growth and the evolution of stable, participatory democratic societies. Each new start builds on, and complements, the Mission's ongoing program with outputs directly addressing the Mission's strategic objectives. Amendments of the Export Development Services and Privatization projects, along with the new investment and Export Development project, are aimed at the strategic objectives of increased agricultural investment production and exports and increased private investment, production and trade. The National Environmental Trust Fund is specifically directed at the objective of more efficient management and sustainable use of selected natural resources.

These new initiatives reflect our decision to concentrate anticipated human and financial resources on fundamental constraints and towards achievable program outputs. Our country development strategy focuses on a policy-based sector approach which emphasizes policy reforms and concomitant actions to support agriculture sector growth and increased trade and investment. The 1993 to 1994 period is

expected to be one of political transition from the current Honduran administration to the next. The Strengthening Accountability Systems project will help improve GOH oversight capabilities and continue to draw Honduran attention to the need to improve governance. This project specifically complements the USG-Country Team's approach to accelerating and deepening our initiatives to strengthen Honduran democracy.

As indicated in the CDSS, the principal features of this approach involve:

- Supporting mutually reinforcing sector policy reforms in agriculture and trade with fast disbursing cash transfers and PL-480 Title III while monitoring Honduran reform and growth. This does not mean a hands off approach to either stabilization or structural reforms. USAID will continue to closely monitor macroeconomic trend indicators and implementation of stabilization reforms supported financially by the IMF and the World Bank. Our structural program is based on implementation of principal reforms during 1992 and assisting the GOH to consolidate and maintain these reforms through 1993 and into the new GOH administration.
- USAID's conviction that policy reforms, while necessary are not sufficient to bring about and sustain economic growth. The proposed amendments and new starts provide project funding for technical assistance, training and institution building to help the private sector and the GOH translate these policy measures into equitable and sustainable growth.
- An ongoing concentration and deepening of USAID-supported democratic initiatives, within a coordinated country team approach that relies on A.I.D. and other USG agencies to implement actions in their respective areas of expertise.
- A continued narrowing and simplification of the program:
 - by limiting new starts;
 - by concentrating resources on program outputs which make direct contributions to attaining our strategic objectives, rather than fragmenting support across a wide array of programs; and
 - by taking advantage of PACDs to end lower priority projects and ending projects ahead of time which are being implemented more quickly than originally contemplated.
- Continuing to reduce the pipeline by intensifying the Mission's considerable attention on portfolio implementation and resolution of bottlenecks. A sharpened emphasis on accountability.
- Accelerating the reduction of the mortgage.

In accordance with this approach, the proposed FY 1993 starts (the previously approved Investment and Export Development Project and the Strengthening Accountability Systems and National Environmental Trust Fund Projects) will: deepen sectoral reforms by promoting agricultural growth and exports and private investment and trade; strengthen GOH honesty, efficiency, and accountability; and assist NGOs to enhance the sustained use of the environment, maintain and prevent further degradation of Honduras' tropical forests.

The Mission's policy reform efforts will be continued through the ongoing Structural Adjustment Program (SAP) and the Three Year PL-480 Title III Program. Since 1990, the Mission has concentrated its policy leverage into one major program with specific support for agricultural sector reforms through the use of PL-480 Title I and now Title III resources. In addition to agricultural performance, the SAP addresses reforms

in trade, investment and finance.

Projectized assistance is necessary to implement and transform the reforms into equitable and sustainable economic growth and development. The Amendment to the Export Development Services Project will consolidate gains in investment promotion, manufacturing and agricultural export growth and achieving sound and sustainable institutions in preparation for the start up of its successor in FY 1993. The Mission has decided to amend the Privatization Project rather than initiate a new project as originally approved by AID/W. Since the number of potential privatizations is finite, the Mission decided to take advantage of existing mechanisms that have proven successful. The amendment will help the GOH further reduce recurrent costs and its financial support for State-Owned Enterprises. The Mission plans to continue until the end of this Action Plan period its support of basic education in Honduras through a no-cost extension to the Primary Education Efficiency Project. This extension will provide the time needed to evaluate the next Honduran administration's commitment to this area. It will introduce a small pilot activity to test strategies for incorporating employability skill certification into the requirements for successful completion of primary education.

No new starts are proposed for FY 1994.

B. Discussion of Terminating Activities

By concentrating resources towards direct attainment of the strategic objectives, the Mission will be able to better focus the program on key strategies and interventions. The Mission will phase out our bilateral involvement in the shelter sector during FY 1993 at the end of the ongoing Shelter Sector Project (522-0324), although some remaining HG activities will be managed by RHUDO/ROCAP. The Mission will end the Human Resources Council (CADERH) OPG (522-0257) in December 1993.

In the agricultural sector, the Irrigation Project (522-0268) is well on its way, at its currently funded level, to meeting its principal outputs. The Mission has, therefore, decided to complete the project within the existing obligated amount and end the project on schedule in September, 1993. Within the same sector, the Mission foresees ending our involvement in the Agricultural Research Foundation Project (522-0249) by September 1994, if not earlier. Most of the planned technical outputs have already been accomplished. We expect that the few remaining can be accomplished by late 1993 or early 1994.

All peace scholars sent under the Honduras Peace Scholarship I Program should have completed their studies by November 1993 thus permitting the close out of this project by this date. The Strategic Planning and Technical Support Project (522-0269) will also end in September 1993. The Mission will no longer proceed with the IESC project amendment approved during last year's Action Plan in order to concentrate declining resources on key program outputs.

The Mission plans a no-cost extension of the Small Business II project through FY 1994, in order to reprogram resources towards successful NGO micro and small business development activities. We plan to phase out assistance to this sector at that time.

The CASA project, which provided medical assistance to war victims of the Nicaraguan conflict, ends this year. Mission considered a follow on activity with War Victims assistance funds, but has decided not to do so, due to reduced staff levels and our commitment to tightening the focus of our program.

NEW PROJECT DESCRIPTION**LAC BUREAU**

OBJECTIVE: Support the Achievement of Broadly-Based Sustainable Economic Growth

LAC BUREAU

SUB-OBJECTIVE: Encourage Economic Policies that Promote Investment, Productive Employment and Outward-Oriented Diversification

MISSION STRATEGIC

OBJECTIVES: Increased Private Investment Production and Trade; Increased Agricultural Investment Production and Exports

PROJECT TITLE: Export Development and Services (Amendment)

PROJECT NUMBER: 522-0207

FY: 1992 LOP

FUNDING (000s): \$4,400 \$26,133

TYPE OF FUNDING: FN, PSEE

A. Consistency of Project with Mission Strategy: This project assists Honduras to expand the growth of nontraditional exports, thereby increasing foreign exchange earnings needed to sustain the country's economic growth. Under the amendment, the project will continue to focus on promoting increased private investment, production and exports in the manufacturing and agricultural sectors. It directly supports the Mission's policy dialogue efforts, especially those aimed at reducing distortions in the economy which act as disincentives to production and investment.

B. Relationship to A.I.D. and Other Donor Activities: This project addresses a key GOH objective of improving the investment climate and increasing and diversifying the country's base of non-traditional exports. It is designed to help private investors and producers respond more fully to the GOH economic stabilization and structural policy reform program supported by the IMF, the IBRD and A.I.D. The project complements the proposed IDB industrial modernization program and the efforts of the United Nations International Trade Commission to promote new exports.

C. Relationship of Project to Overall A.I.D. Policy Objectives: The project directly responds to the LAC Economic Assistance Strategy for Central America, 1991-2000 objectives of adopting more market-oriented policies which lead to rapid, sustained growth. The amendment is fundamental to Agency efforts to help Honduras take advantage of improved sectoral policy reforms being supported by the Mission's policy dialogue, the Structural Adjustment Program and the PL480 Title III program.

D. Project Description: This project began in late FY 1984. This one-year amendment will further assist Honduras to expand its export growth and to consolidate the successful export development and investment promotion activities being carried out.

The project's goal is to promote economic growth and employment through the development of nontraditional exports. The project's purpose is to increase nontraditional exports. The project has successfully sought to create a policy environment that favors export development and to help the private sector take advantage of that environment both immediately and over the longer run. Especially since

1988, when the project concentrated its efforts on investment promotion in drawback industries and the development of cultivated shrimp and cantaloupe, exports from Honduras have increased dramatically and the private sector's capacity to increase exports effectively has been developed. The project has helped mobilize both foreign and domestic investment aimed at improving the efficiency of Honduran industry.

The direct beneficiaries of the project have been exporters and workers. The project has dramatically exceeded its original targets which included 65 agricultural production and/or exporting operations and 30 industrial producers. To date, project assisted enterprises have created over \$305 million in exports. At least 32,500 persons have directly benefitted from new employment with an estimated additional 20,000 jobs in support areas. The amendment will support: 1) an additional \$13.0 million in private sector investment in export manufacturing and EPZs/FTZs; an additional \$1.1 million in investment in FPX assisted nontraditional agricultural export (NTAE) programs; an additional \$38.0 million per year in positive foreign exchange flows from EPZ/FTZ transfers, an additional \$45.0 million per year in foreign exchange generated by non-EPZ/FTZ manufacturers and an additional \$4.9 million in net foreign exchange increased from FPX assisted NTAE projects. Enterprises assisted during this amendment are expected to create 2,700 direct new jobs generated by FPX assisted projects and 7,500 in producing manufactured goods for export. The percentage of women employed in NTAE projects is projected to be greater than 30% and greater than 85% in manufacturing projects.

This amendment will assist Honduras to continue to increase the number and diversity of viable nontraditional export projects, thereby generating the needed foreign exchange and employment opportunities for farm families and employees working in export processing, production or marketing. This amendment will deepen assistance being provided under two of the original project components. The Honduran Federation of Agricultural and Agro-Industrial Producers and Exporters (FPX) and the Foundation for Investment and Development of Exports (FIDE) will promote the rapid growth of Honduran nontraditional agricultural products destined for export markets by increasing investment in, and production of, these products. The amendment will assist FPX's program in product development, identifying and opening markets, and institutional strengthening. FIDE, the leading Honduran investment promotion agency, will focus on increasing production of manufactured goods destined for export. FIDE will achieve this goal by attracting foreign investment to export industries and by encouraging export production by Honduran companies. This amendment will help both organizations achieve their goals of becoming institutionally sound and sustainable organizations.

E. Planned Implementation Arrangements: The amendment will be implemented through two private indigenous organizations, FPX and FIDE.

F. Sustainability of Proposed Activities: Both the export growth and the increases in investment are expected to yield permanent changes. The two institutions being assisted, FIDE and FPX, are well on the way towards becoming sound and sustainable organizations. However, public support will continue to be an important element of investment and export promotion efforts in Honduras. Purely private-sector-financed investment and export development organizations do not exist elsewhere in the world. This amendment will help these organizations consolidate institutionally and financially in preparation for longer term GOH assistance.

G. Mission Management Role: The Mission will monitor the implementation of amendment activities using existing staffing in the offices of Rural Development and Private Sector Programs. Based on recent pre-award surveys, the Mission will place day to day responsibility for program implementation and procurement on each implementing organization.

H. Potential Issues: The degree to which the GOH is able to provide the financial and political support for export and investment promotion during a period of fiscal restraint is critical.

NEW PROJECT DESCRIPTION**LAC BUREAU**

OBJECTIVE: Support the Achievement of Broadly-Based Sustainable Economic Growth

LAC BUREAU

SUB-OBJECTIVE: Encourage Economic Policies that Promote Investment, Employment, and Outward-Oriented Diversification

MISSION STRATEGIC

OBJECTIVE: Increased Private Investment, Production, and Trade

PROJECT TITLE: Privatization of State-Owned Enterprises (Amendment)

PROJECT NUMBER: 522-0289

FY: 1993 LOP

FUNDING: (000s) \$2,000 \$6,900

TYPE OF FUNDING: PSEE

A. Consistency of Project with Mission Strategy: The project contributes to the Mission's objective of increased private investment, production, and trade. With the amendment of the Privatization Law, and improvement of privatization procedures, the number of privatizations is expected to increase--thus drawing in new investment resources as well as reactivating production and exports of faltering enterprises.

B. Relationship to A.I.D. and Other Donor Activities: A.I.D. and the GOH have agreed to expand privatization activities under the Policy Analysis and Implementation, Irrigation Development, and Rural Roads Maintenance projects. These collateral efforts are aimed primarily at supporting privatization work in the agricultural and rural development areas, but it is expected that future work will branch out into other areas of the government. At present, no other donors are providing direct support to GOH efforts, although several (the IDB and the IBRD) have expressed an interest in doing so.

C. Relationship of Project to Overall A.I.D. Policy Objectives: The project supports Honduran efforts to privatize government-owned industry and services, thereby decreasing the fiscal deficit and increasing permanent employment opportunities. These efforts are fully in accord with the Business and Development Partnership Initiative which identifies the continued existence of inefficient state enterprises dependent on government subsidies for survival as a constraint to development.

D. Project Description: The purpose of the three-year \$3 million project amendment is to continue to support Government of Honduras planning and implementation of activities to privatize state-owned enterprises and public services. The principal development problems that the Project will address are the country's foreign commercial debt, fiscal deficit pressures caused by subsidizing state-owned enterprises, and the lack of sufficient new private sector investment to reduce the high unemployment and underemployment rates.

This project will build on the lessons learned and successes already registered on privatization. The Privatization of State-Owned Enterprises Project, designed as a pilot project in 1986, contributed to a \$29.0 million reduction of the GOH's foreign commercial debt, and brought \$15.3 million in new investment resulting in the creation of close to 1,200 new permanent jobs. The three-year extension of the project

is expected to make a larger contribution in these areas, and further reduce recurrent costs and GOH financial support for state-owned enterprises. It will be implemented through existing organizations and will finance the operations of the already-established Technical Working Group (TWG). The TWG provides a cadre of experienced international and Honduran personnel providing analytical and marketing assistance to the GOH to implement the privatization program. Various privatization options are available under the Project. Some companies could become targets for divestiture, others for management contracts, leasing or the private contracting of certain activities. Therefore, the project will have to provide complementary support mechanisms such as severance payments, training and management contracting on an as-needed basis. Through the privatization process, many companies which are operating at a minimum capacity will be reactivated. Experience has shown that put back in the hands of the private sector, business activity increases and so do employment opportunities.

E. Planned Implementation Arrangements: The project will be implemented by the GOH through its Privatization Commission, reporting to the Executive Branch. The Valuation and Negotiation Commissions created under the original project will remain in place and they will continue to work with the TWG and the Mission's Private Sector Programs Office in carrying out accurate valuations of the enterprises and assets, as well as determining marketing and sales strategies.

F. Sustainability of Proposed Activities: The project will support an activity that is finite; mainly the privatization of companies or services that are currently being carried out by the GOH. Thus, the project itself does not have to leave an institution in place that is self-sustaining and will instead focus on carrying out privatization as effectively and efficiently as possible. Nevertheless, the movement of the government away from management of productive enterprises will have a lasting impact.

G. Mission Management Role: Project management responsibility will rest with the Office of Private Sector Programs (PSP). PSP will contract a Project Liaison Officer to assist the USAID in the day-to-day implementation. The Project Officer and Liaison Officer will work with the TWG, and the National Privatization Commission to ensure that Project targets are achieved on a timely basis and that the activities of the implementing entities are carefully coordinated to avoid overlap and duplication of efforts.

H. Potential Issues and/or Innovative Program Approaches: The trade-off between an expedited privatization process and the need for checks and balances in a transparent process; the political climate for the privatization of public services; and the employment impact of privatization are areas of potential concern for the amendment of this project.

NEW PROJECT DESCRIPTION**LAC BUREAU**

OBJECTIVE: Support the Achievement of Broadly-Based Sustainable Economic Growth

LAC BUREAU

SUB-OBJECTIVE: Encourage Economic Policies that Promote Investment, Productive Employment and Outward-Oriented Diversification

MISSION STRATEGIC

OBJECTIVES: Increased Private Investment Production, and Trade; Increased Agricultural Investment, Production and Exports

PROJECT TITLE: Investment and Export Development

PROJECT NUMBER: 522-0312

FY: 1993 LOP

FUNDING (000s): \$4,100 \$9,600

TYPE OF FUNDING: FN, PSEE

A. Consistency of Project with Mission Strategy: This project is an integral part of the Mission's strategy to stimulate further movement toward a diversified, export-led economy that helps provide a permanent and secure source of employment for Honduran workers. Achieving this goal will require substantial macroeconomic and sectoral policy reforms as well as technical changes. The Mission's strategy links the policy dialogue inherent in the ESF-supported and Structural Adjustment Programs with projects such as the Investment and Export Development (IED) project and other Mission projects in the areas of privatization, small business development, vocational training, rural roads, irrigation, agricultural research, and coffee improvement. It will build upon the accomplishments of the successful Export Development Services Project (EDS), 522-0207, and an extensive analytic base of studies, evaluations, and practical experience related to the development of a diversified and sustainable base of Honduran exports.

B. Relationship to A.I.D. and Other Donors Activities: The project supports the GOH's investment and export development and diversification efforts. It complements work being supported by the United Nations International Trade Commission and Inter-American Development Bank in the promotion of new products for export.

C. Relationship of Project to Overall A.I.D. Policy Objectives: The project directly contributes to the Central American strategy objective of increasing growth through market-oriented approaches. The project reinforces the Mission's policy dialogue efforts, especially those based on improving the investment climate, adopting trade reforms and continued liberalization of the foreign exchange regime. Its program outputs of promoting and developing private investment in export agriculture and manufacturing, increasing access to factors of production and developing exports contribute directly to the Mission's overall goal of equitable and sustainable economic growth and development.

D. Project Description: The goal of this three-year project is to promote higher levels of sustainable economic growth. The purpose is to assist Honduras to increase private investment and export production, thereby increasing sustainable export earnings. The project evolved out of the Mission's successful efforts

to begin developing a diversified export base in Honduras and to establish a consensus on the importance of nontraditional exports.

One of the principal mechanisms employed by the Mission to increase Honduran exports has been the on-going Export Development and Services Project. That project supported the creation of two effective private sector export and investment development organizations, the Foundation for Investment and Development of Exports (FIDE) and the Honduran Federation of Agricultural Producers and Exporters (FPX); both have contributed substantially to the achievement of project and Mission goals. In addition, both organizations are financing their local costs and are working to sustain foreign exchange costs as well.

As a direct result of previous A.I.D. assistance to FIDE, over 66 local businesses have successfully begun exporting and Honduras has attracted 54 new investments from abroad valued at over \$119 million. FIDE drafted and successfully lobbied for passage of legislation which permits the duty-free import of machinery and inputs needed for export production and the establishment of industrial parks. To date, FIDE has attracted over \$24 million in investment in these parks. Companies assisted by FIDE have exported goods valued at \$180 million and have created well over 16,000 new direct jobs. Many of the most important improvements in the Honduran investment climate are directly attributable to FIDE. Most recently, FIDE successfully pressed for passage of the Tax Information and Exchange Agreement between the U.S. and Honduras. It has worked closely with other NGOs and the GOH to draft a new Investment Law and is currently pushing for its passage. FIDE actively promoted the establishment and use of the Honduras Stock Exchange as a means of mobilizing and encouraging investment. Working closely with the GOH and drawing on its contacts in other countries, FIDE has encouraged reductions in tariffs and trade barriers and the integration of Central American economies.

FPX also has provided noteworthy assistance to the export sector. FPX successfully led negotiations to reduce ocean shipping charges from Honduras. It also has been working to open up air freight alternatives into Honduras and to assist investors negotiate with the GOH for space to construct cold storage facilities at both sea and airports. FPX has directly assisted over 105 export projects, primarily in melons and shrimp. Its efforts have resulted in increased melon and seafood exports of 192% and 358%, respectively since 1986. Shipping costs have been reduced due to FPX's discussions with new transportation companies and investments in agricultural exports have increased over \$43 million.

The follow-on IED Project will build on this experience by emphasizing further expansion of nontraditional and manufactured production for export and by promoting domestic and foreign investment. The project will continue to provide support to FIDE and FPX to continue the development of industries such as apparel and agro-industrial processing, including the packaging of shrimp and melons, areas which traditionally employ large numbers of women. FIDE will promote new investments and lobby for an improved investment climate. It will continue to assist local exporters to improve their efficiency and market responsiveness and help additional local companies move into exports. FPX will work to increase private investment in agricultural exports and improve farmer access to those factors which will help them increase production for export. It will expand its efforts to open new markets and help ensure that Honduran products meet the sanitary, environmental and presentation requirements of those markets.

E. Planned Implementation Arrangements: The project will be obligated via a Handbook 3 bilateral agreement and Handbook 13 grants to existing Honduran organizations.

F. Sustainability of Proposed Activities: Policy reform and strengthening the financial sector will take place during the life of project and the changes brought about should be of a permanent nature. Although the two private sector organizations involved in investment and export promotion (FIDE and FPX) are well on their way to becoming financially self-sufficient and export promotion activities will generate fees as clients pay for services provided, we are unaware of any models where these activities have been successfully

undertaken by the private sector on a permanent, self-sustaining basis without public sector support. Investment promotion, especially for overseas offices and trade missions, will probably require a separate source of financing in order to be maintained after the project. In most countries investment promotion is usually undertaken under the auspices of the government. Under this project the GOH will commit to ensure the continuation of export and investment activities.

G. Mission Management Role: The Mission will implement the project within existing staffing levels by delegating responsibility for day to day project implementation to two indigenous organizations. The Mission will monitor progress towards achieving objectives and ensure the strict accountability and efficient use of funds through a program of regular audits, financial reviews and performance evaluations.

H. Potential Issues: The degree to which the private sector investment and export development organizations supported under this project should be expected to become self-sufficient and how to best meet the need for investment and export promotion in the longer term are potential issues.

NEW PROJECT DESCRIPTION**LAC BUREAU****OBJECTIVE:** Support the Evolution of Stable, Participatory, Democratic Societies**LAC BUREAU****SUB-OBJECTIVE:** Strengthen Civilian Government Institutions**MISSION STRATEGIC****OBJECTIVE:** More Responsive Selected Democratic Institutions and Processes, with Greater Citizen Participation**PROJECT TITLE:** Strengthening Accountability Systems**PROJECT NUMBER:** 522-0381**FY:** 1993 LOP**FUNDING (000s):** \$1,000 \$2,000**TYPE OF FUNDING:** EHR

A. Consistency of Project with Mission Strategy: Building on the successful Controller General of the Republic Project, this proposed three year project will contribute to improving the efficiency of GOH internal control and the more rational and efficient use, control, and accountability of government financial resources. It will support the consolidation of the Honduran democratic system and the strategic objective of more responsive democratic institutions and processes. The project will help the GOH assure that it is more responsive and accountable to its citizens.

B. Relationship to A.I.D. and Other Donor Activities: The project supports Honduras efforts to improve accountability. In addition, it complements the GOH's economic stabilization and structural reform program and helps ensure the sustainability of these reforms. It will complement the United Nations-financed Public Administration Modernization Project. No other donors are currently investing funds in this area.

C. Relationship of Project to Overall A.I.D. Policy Objectives: This project will contribute to the evolution of Honduras as a more stable democratic society by strengthening the GOH's accountability for its programs and by increasing transparency in government decision-making. Inefficient government institutions and widespread corruption were identified as constraints to the growth of democratic institutions in the countries of Central America. The new Project is fully in line with the Agency's Democracy Initiative and LAC's Economic Assistance Strategy for Central America Strategy which calls for promoting honesty and efficiency in government through transparency of decision-making processes and heightened accountability of civil service structures.

Since the advent of the LAC Regional Financial Management Improvement Project, the Bureau has emphasized the importance of strengthening financial management practices as a means to improve the accountability, efficiency, and responsiveness of governments. To this end, USAID/Honduras implemented a project with the Controller General of the Republic which helped to begin to put in place modern auditing systems and practices, and to train personnel in how to apply them. USAID/Honduras plans to expand the scope of this effort to address broader internal control issues through the Strengthening Accountability Systems Project. The Mission will assist the GOH implement an integrated system of public accountability and responsibility.

D. Project Description: The purpose of this project is to assist the GOH in holding its public employees accountable. This will be accomplished by further improving the professional audit capacity of the Controller General, the systems of the Office of Public Integrity and the systems of the Attorney General. It will also address the improvement of the linkages between these organizations to facilitate rapid, thorough and efficient prosecution of public employees when appropriate.

Under the prior project, the Controller General revised its administrative procedures, trained its staff in government administration and finance, governmental accounting and financial auditing and established basic financial audit standards and guidelines.

The new project will focus on improving the capability of the GOH to identify, investigate and successfully address instances of fraud and corruption. The project envisions the GOH taking actions ranging from administrative remedies to criminal prosecutions. The project will provide technical assistance to the Controller General and the Office of Public Integrity in the area of gathering evidence in conformity with local evidentiary rules. The project will also provide technical assistance to the Attorney General in the area of proper handling of such evidence so that it can be used successfully in prosecutions.

The new project will address the mid- and long-term recommendations issued in the 1987 Price Waterhouse diagnosis of the financial administration and internal controls in the Honduran Government. Technical assistance, training and commodities will be targeted to GOH organizations to enable them to improve in the areas recommended by the 1987 diagnosis. The prior project showed us that very modest amounts of training and technical assistance in this area can bring about significant improvements in the management and control of government funds.

E. Planned Implementation Arrangement: The Mission plans to implement this project through a HB 3 grant. The Controller's Office will manage the project as discussed below.

F. Sustainability of Proposed Activities: The project will emphasize the improvement of systems and personnel capacity. The institutions and personnel already exist and are fully funded through the GOH budget. Thus, the sustainability of the activities will depend on the will of the GOH to improve governance and to control fraud and corruption.

In addition, the new project contemplates several critical reforms prior to implementation. These include: civil service status for the staffs of the two institutions; adequate pay, adequate professional standards and a merit promotion plan.

G. Mission Management Role: The Mission's Controller's Office will manage this project directly with GOH officials in the two organizations.

H. Potential Issues and/or Innovative Program Approaches: The primary issue is the ability and the commitment of the GOH to make needed personnel reforms and institutionalize a viable audit-follow-up capability.

NEW PROJECT DESCRIPTION

LAC BUREAU

OBJECTIVE: Support the Achievement of Broadly-Based, Sustainable Economic Growth

LAC BUREAU

SUB-OBJECTIVE: Encourage Preservation and Sustainable Use of the Natural Resource Base

MISSION STRATEGIC

OBJECTIVE: More Efficient Management and Sustainable Use of Selected Natural Resources

PROJECT TITLE: National Environmental Trust Fund

PROJECT NUMBER: 522-0385

FY: 1993 LOP

FUNDING (000s): \$2,000 \$10,000

TYPE OF FUNDING: FN

A. Consistency of Project with Mission Strategy: This project will provide financial and technical support during an estimated five year period to local and international Nongovernmental Organizations (NGOs) to enhance sustained use of the environment, maintain biodiversity and prevent further degradation of Honduras' tropical forests. The CDSS and Agricultural Sector Strategy Paper both identify the issues of tropical deforestation and biological diversity and encourages improved policies and programs to safeguard the environment and conserve the country's vital resources. The project also explicitly supports the Mission's Strategic Objective of more efficient management and sustained use of selected natural resources by means of several Program Outputs (see Table 5).

B. Relationship to A.I.D. and Other Donor Activities: The Project will expand and support the Mission's current natural resource and tropical forestry management activities under the Forestry Development and the Land Use Productivity Enhancement Projects. The project will also assist in the implementation of specific Mission environmental policy reform initiatives developed under the Policy Analysis and Implementation Project. In addition, the Project will complement environmental activities implemented in Honduras under ROCAP's RENARM project. The Project will thus not only complement ongoing A.I.D. environmental activities, but by strengthening Honduran environmental NGOs, it will provide the foundation for greater and more effective donor intervention in the sector through creation of a strengthened network of private organizations. The governments of Canada (CIDA) and Germany (GTZ), as well as the UNDP, already have environmental projects in Honduras that would benefit from the Project.

C. Relationship of Project to Overall A.I.D. Policy Objectives: This Project fully supports the Agency's Environmental Initiative and A.I.D.'s Central American development strategy objectives; it will emphasize equitable and sustainable economic growth and development by supporting environmental activities aimed at sustained use of the environment, protection of biodiversity and Honduras' natural resource base. These activities will strengthen the foundation for sustained economic growth and improved social welfare by promoting tropical forest conservation and the protection of biological diversity.

D. Project Description: The National Environmental Trust Fund Project will support Government of Honduras (GOH) efforts to promote sustained, private sector led natural resource conservation. The goal of the project is to promote more efficient management and sustainable use of selected natural resources.

The purpose of the project is to strengthen the Honduran private sector capacity to manage and protect the natural resource base of the country.

The GOH has already pledged over \$5 million to create a National Environmental Trust Fund. The Foundation for Environment and Development (Fundación VIDA) has been created to manage the Fund as trustee. VIDA is a private non-profit organization which has as its members environmental NGOs and interested private citizens. VIDA will not implement projects itself, but will develop a strategy for the Fund's use, and review and fund appropriate proposals submitted by local and international environmental NGOs. During the seven-year life of the project, a network of NGOs will be strengthened to implement environmental management plans, safeguard biodiversity areas and ensure sustainable use of tropical forests.

Project inputs required to achieve the objectives outlined above include technical assistance, training, limited commodities, dollar-funded grants to U.S. NGOs, and local currency resources to finance environmental related activities to be implemented by local NGOs under the Environmental Fund. The technical assistance will focus on the institutional support of VIDA and the sound management of the Environmental Fund. The technical assistance will also involve the establishment and implementation of adequate accounting and control systems to ensure proper management of the project funds. The grants to U.S. NGOs will be used to support the institutional development of local NGOs, and/or to directly carry out environmental projects in Honduras.

E. Planned Implementation Arrangements: The Mission will execute the project through a grant agreement with VIDA. The Mission has already begun to provide some limited assistance to VIDA and it is anticipated that the institution will meet the Mission's PVO registration and preaward audit requirements for a grant by the time the project is approved.

F. Sustainability of Proposed Activities: It is expected that by the end of the project, VIDA will be institutionally strengthened to the degree that it can attract support from both the Honduran government and the private sector, as well as from international environmental groups and other donors.

G. Mission Management Role: The Mission will manage, monitor and evaluate project activities as part of the overall Program Performance Assessment System (PPAS). One USDH will be assigned to manage the Project, and will be assisted by a USPSC. The Mission anticipates that the technical assistance and training components of the project will be implemented by an institutional contractor.

H. Potential Issues: The primary issue revolves around working with a new private organization with no track record. It is possible that VIDA will not have developed the necessary expertise in financial management, project monitoring, etc., by the time the project is authorized. Technical assistance (using PD&S funds) will be required during the coming months to build up this capacity. Another implementation issue will be to develop the appropriate mechanisms to maintain VIDA free of political influence in order to become an effective institution that promotes and implements sound environmental policies.

Table 5: ROLE OF PROPOSED NEW INITIATIVES IN ACHIEVING USAID PROGRAM LEVEL OBJECTIVES

Country: Honduras
 Proposed New
 Project and Program: Export Development and Services (Amendment)
 Number: 822-0207

Activities	Program Outputs	Strategic Objective
Technical Assistance and Financing for FPX's Export Development Programs	1.2. Increased Promotion of Private Investment in Domestic and Export Agriculture 1.3. Increased Access to Markets and Factors of Production 1.4. Creation/Strengthening of Private Sector Institutions Servicing the Agricultural Sector	1. Increased Agricultural Investment, Production and Exports
Technical Assistance and Financing for FIDE's Domestic and Overseas Investment Promotion Effort	2.1. Trade Reforms Adopted 2.3. Improved Investment Climate 2.5. Increased Investment Promotion and Export Development	2. Increased Private Investment, Production, and Trade

Table 5: ROLE OF PROPOSED NEW INITIATIVES IN ACHIEVING USAID PROGRAM LEVEL OBJECTIVES

Country: Honduras
 Proposed New Project and Program: Privatization of State-Owned Enterprises
 Number: 522-0200

Activities	Program Outputs	Strategic Objective
Technical Assistance to GOH to Continue the Privatization of State-Owned Enterprises	2.2. Privatization Process Accelerated	2. Increased Private Investment, Production, and Trade

Table 5: ROLE OF PROPOSED NEW INITIATIVES IN ACHIEVING USAID PROGRAM LEVEL OBJECTIVES

Country: Honduras
 Proposed New Project and Program: Investment and Export Development
 Number: 522-0012

Activities	Program Outputs	Strategic Objective
Technical Assistance and Financing for FPX's Export Development Programs	1.2. Increased Promotion of Private Investment in Domestic and Export Agriculture 1.3. Increased Access to Factors of Production 1.4. Creation/Strengthening Private Sector Institutions Servicing the Agricultural Sector	1. Increased Agricultural Investment, Production and Exports
Technical Assistance and Financing for FIDE's Domestic and Overseas Investment Promotion Effort	2.1. Trade Reforms Adopted 2.3. Improved Investment Climate 2.5. Increased Investment Promotion and Export Development	2. Increased Private Investment, Production, and Trade

Table 5: ROLE OF PROPOSED NEW INITIATIVES IN ACHIEVING USAID PROGRAM LEVEL OBJECTIVES

Country: Honduras
 Proposed New Project and Program: Strengthening Accountability Systems
 Number: 822-0081

Activities	Program Outputs	Strategic Objective
Technical Assistance and Training to the GOH Controller General	5.1. Strengthened GOH Auditing Capabilities and Public Accountability	5. More Responsive Selected Democratic Institutions and Processes with Greater Citizen Participation

Table 5: ROLE OF PROPOSED NEW INITIATIVES IN ACHIEVING USAID PROGRAM LEVEL OBJECTIVES

Country: Honduras
Proposed New Project and Program: National Environmental Trust Fund
Number: 522-6385

Activities	Program Outputs	Strategic Objective
<p>Technical Assistance and Training to Indigenous NGOs.</p> <p>Dollar-funded grants to U.S. PVOs.</p>	<p>3.1. Improved Policy Framework</p> <p>3.3. Increased Environmental Awareness and Technology Transfer</p> <p>3.4. Increased Private Sector Capacity to Improve Natural Resources Management</p>	<p>3. More Efficient Management and Sustainable Use of Selected Natural Resources</p>

IV. RESOURCE REQUIREMENTS

IV. – RESOURCE REQUIREMENTS

A. Current Program and New Initiatives

The Development Assistance (DA) and PL 480 funding levels proposed in this Action Plan for FYs 1992 and 1993 (see the table below) are consistent with levels used in the FY 1993 Congressional Presentation. In the absence of control figures for FY 1994, we are using rounded straight-lines of the FY 1993 levels to reflect changes in the budget situation since last year's CDSS. The Economic Support Fund (ESF) levels proposed for FYs 1993 and 1994 exceed the FY 1993 CP level by \$13 million and \$12.5 million, respectively, to permit \$40 million balance of payments support in each year.

	FY 1992	FY 1993	FY 1994
Development Assistance	41,000	31,600	32,000
Economic Support Funds	50,000	43,000	42,500
PL480 Title II	6,273	6,051	6,000
PL480 Title III	14,000	14,000	14,000
TOTAL	111,273	94,651	94,500

The proposed program levels are justified by A.I.D. economic, social, and democratic objectives in Central America; Honduras' low per capita income (it is an IDA-eligible country); by the country's heavy IFI debt burden; and by its good economic, social, and democratic performance that promises continued progress.

The proposed program, which we have reviewed in the context of the PPAS, continues the strategy outlined in the FY 1992 CDSS. Under the refined PPAS framework, it focuses on five strategic objectives—a reduction from the CDSS's seven. Under the proposed program, the Mission will phase out of support to the shelter sector, irrigation, and small and microenterprises, and is limiting new starts (there are none in FY 1994) and their life-of-project cost. With these adjustments, our DA mortgage going into FY 1995 will be \$33 million. (See Table 8 for detailed analysis).

The proposed levels of ESF support are essential to achievement of economic objectives. These resources are needed to support continuation and deepening of the GOH's economic reform program. However, according to the Congressional Presentation, Honduras' FY 1993 ESF level will be falling to \$30 million, down from \$60 million in FY 1991. This cut comes at a bad time.

After years of hesitation and a large ESF investment in Honduran economic reforms, the GOH finally adopted a comprehensive economic reform program in March 1990. ESF made the reforms possible. Large disbursements in FY 1990 (\$135 million in balance of payments support—the equivalent of five percent of Honduran GDP) helped the GOH clear massive arrears to the IFIs, qualify for renewed IFI support, and cushion the difficult adjustments required by years of economic mismanagement. Although the GOH reform program made enormous strides in improving policies, the program is just beginning to show signs of success. Support for the program—both by Hondurans and by the IFIs—is fragile. There is, indeed, a major danger that, if we pull out too quick, GOH resolve to continue the reform effort will waiver. This is why:

- Political pressures against the reform program are powerful and growing. If the GOH cannot soon show positive results from the courageous measures it took over the past two years, the Economic Reform Program may get defeated in the polls in November 1993. The political campaign has already started. The reforms are the centerpiece of major debates between candidates vying for the presidency.

A common theme on the street and in the newspapers is: when are the supposed benefits of the adjustment program going to appear? Former President Azcona recently called for President Callejas to "repent" and reverse the socially damaging reform process. In his statement, Azcona claimed that the Presidents of both Mexico and Venezuela were reversing their reform programs. Both the Ministers of Finance and Economy responded in the press, defending the adjustment process in Honduras, explaining why circumstances in Honduras are different from those in México and Venezuela. They reaffirmed that the adjustment process will not be reversed. The recent coup attempt in Venezuela is widely believed within Honduras to be a result of the adjustment process. Moreover, public speculation cites the coup attempt as another reason to modify the reform process in Honduras. This kind of attack on reforms is going to continue and intensify as the country approaches the 1993 elections.

An important part of the industrial sector opposes a more open trade regime, either because of a currently protected position or out of fear that it cannot compete successfully with outside producers.

To enable the Government to resist the above-mentioned pressures from both the left and right, and to shore up its own reform convictions, it is important that the GOH believe that its economic reform program has the full political and economic support of the United States. The U.S. must not be seen as withdrawing its support of economic liberalization.

- The Honduran economy has been weak since the initiation of the reforms. This is not surprising. Beneficial effects of reforms typically require several years of difficult adjustments and dislocations before their positive contribution to the economy is evident. The Honduran economy is just beginning to pull out of a deep slump which started in mid-1989.
- ESF support is vital to the Honduran economy. It helps Honduras finance the imports it needs to bolster domestic production and the economy. ESF cushions the impacts of the reforms through local currency expenditures for social safety net activities.
- We want the IFIs to take over leadership of support for the Economic Reform Program. This is slowly taking place, but much slower than we want. The major sectoral reforms taken by the GOH in 1992 were clearly led by the Mission's ESF-supported policy dialogue. The GOH's need for balance of payments support made ESF a driving force behind passage of the Agricultural Modernization Law, preparation of a new investment code and design of a comprehensive financial sector program. The IFIs were (and still are) far behind us in these areas. More time is needed for them to take over a leadership role.
- The IFIs have also been slow in increasing their funding levels. Resource flows from the IFIs to Honduras were negative in 1990 and 1991. Although this may be reversed in 1992, this is still not certain. Honduras is heavily indebted and needs tremendous financial support – a large part of which has to come from A.I.D. In 1992, for instance, the Mission estimates that Honduras will have an external financing gap of about \$40 million. This is after accounting for the effects of: (1) FY 1992 ESF assumed to be \$40 million and (2) all projected 1992 IFI disbursements, which are assumed to be made on time. Even assuming \$40 million per year of ESF balance of payments assistance, we project the financing gap at \$70 million in 1993 and \$30 million in 1994. These gaps are between one and three percent of Honduras' GDP. Honduras' weak balance of payments situation is further exacerbated by low international coffee prices. We want to decrease our role of providing balance of payments support. However, we believe it may be disastrous to do so prior to the time other donor flows increase enough to take our place.

Our Action Plan calls for major progress on the policy reform process, the implementation of the measures contained in the Agricultural and Investment Laws, continued progress on trade liberalization, and implementation of financial sector reforms. Without substantial ESF resources backing up our policy dialogue, we may lose our credibility, send a misleading signal of early U.S. withdrawal and undercut the GOH's resolve to maintain the reform momentum during the difficult period prior to elections.

Proposed ESF levels are also essential to ensuring funding for the Strengthening Democratic Initiatives and Honduras Peace Scholarships II Projects.

Development Assistance for FY 1993 and FY 1994 must be maintained at currently proposed levels, which already reflect major reductions from earlier program planning levels or significant parts of the portfolio will have to be reduced or eliminated. Moreover, the increased proportion of earmarked funds is adding to the adverse impact of those reductions to date. Even without considering such special Congressional interests as microenterprises, some 50 percent of the FY 1993 program budget is earmarked.

The environmental earmark is perhaps the most damaging in terms of gaining optimal impact from available funds. Over several years, we have accepted larger-than-needed amounts of funding for environmental projects to help meet earmarks, thereby forcing pipelines for those projects to soar. We request \$2.73 million in relief on the earmark for one year (FY 1993) without loss of funds in the OYB. We will meet \$2 million of the \$4.73 million earmark with obligations under our new National Environmental Trust Fund Project. Since only a portion of the funds for the Land Use Productivity and Forestry Development Projects count against the earmark, the \$2.73 million earmark relief will provide \$4.13 million in needed budget flexibility to cover funding needs of the ongoing Policy Analysis project, and initial funding for the new Investment & Export Development and Strengthening Accountability Systems projects.

PL 480 Title III at proposed program levels will be needed to comply with the recently signed three-year \$42 million agreement which supports key policy reforms in agriculture, the most critical sector in the Honduran economy. Title II will continue to support programs which target the disadvantaged, including Maternal Child Health and School Feeding. CARE, the implementing PVO, plans to continue its innovative municipal infrastructure program through FY 1994.

B. OPERATING EXPENSE FUNDS (OE DOLLARS AND OE TRUST FUNDS)

The Mission continues to consolidate its program, allowing us to operate with further reduced levels of staffing and Operating Expense (OE) funds. As outlined in Annex 7 of our 1992 CDSS, we plan an overall reduction of 25% (60 positions) of our staff levels and 34% of our combined OE dollars and trust funds levels over the CDSS period. The OE levels for FY 1992-1995 shown below and the projected staff reductions over the same period are considered to be the maximum reduction the Mission can take without adversely affecting its ability to manage, monitor and assure accountability. Even at these levels, the Mission will be unable to accept additional monitoring responsibility for centrally and regionally funded activities that do not contribute directly and significantly to our strategic objectives. If levels are reduced below those shown, the Mission will be forced to further reduce travel budgets for both in-country project monitoring and international travel for training and conferences. In addition, the Mission will not be able to replace vehicles and nonexpendable property, which will have an adverse effect on project monitoring.

As accountability is a hallmark of our program implementation, we believe further cuts in our Mission management resources are not feasible. The GOH has management and accountability systems as does the fledgling NGO community, that require our constant attention to all facets of management, accountability and reporting. Also the GOH implementing agencies require a high degree of program advice. In addition to the Recipient Audit Program, the Mission has a large responsibility for Non-Federal Audits with plans to

contract for nine Non-Federal Audits in FY 1992. The Mission will continue to have a significant Non-Federal Audit Program in FY 1993.

Our program consolidation effort will continue throughout the 1992-1996 period. Program funding will decline from an average of \$158 million per fiscal year in the 1985 to 1990 period to an annual average of \$93 million in the 1992-1996 period. Still, sufficient OE resources need to be programmed to allow the Mission to manage these programs and implement the Agency strategies while not adversely affecting the Mission's ability to meet its accountability responsibilities. The reporting responsibilities for accountability issues are constantly increasing with Buy America and PSC reporting the latest requirements.

The following chart indicates total levels required and the appropriated dollar and trust fund split. The split is dependent on the continued success of the AID/W plan to provide dollar appropriated funds for 80 percent of the reduction in trust funds.

OPERATING EXPENSES (\$MILLIONS)

	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
Dollar OE	2.0	3.2	3.0	3.0
Trust Funds	<u>2.4</u>	<u>1.1</u>	<u>1.1</u>	<u>1.0</u>
Total	4.4*	4.3	4.1	4.0

If the Agency is not successful in obtaining dollar-appropriated OE funds to help reduce our dependence on trust funds, we will need to continue to rely heavily on trust funds. Our "worst case" scenario is as follows:

OPERATING EXPENSES (\$MILLIONS)

	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
Dollar OE	2.0	2.0	2.0	2.0
Trust Funds	<u>2.4</u>	<u>2.3</u>	<u>2.1</u>	<u>2.0</u>
Total	4.4*	4.3	4.1	4.0

* Approved level for FY 1992

The reductions represented in the tables assume we will absorb inflation when it does not exceed 5 percent per year.

The Mission has taken numerous steps to reduce costs. It has reduced its vehicle fleet by fourteen vehicles. It has renegotiated all its residence leases and has obtained an overall savings of 20% on lease costs, as well as eliminating those residences that are old and expensive to repair. It has installed a new LAN computer system which has reduced maintenance costs and computer staff overtime, as well as providing better tools to the staff to manage more with less. It has installed modular office equipment which allows for rapid, inexpensive office moves resulting from the consolidation of the Mission portfolio.

The Mission staffing levels already reflect the effects of portfolio consolidation and staff reductions. The chart below shows categories and decreases obtained and projected over a four year period.

	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>
USDH	37	33	31	28
USPSC	23	21	16	14
PASA	9	4	2	2
FSN/DH	33	32	31	30
FSN/PSC	134	132	119	114

Further cuts in either staffing or total OE resources will severely curtail our ability to provide adequate accountability for our program and appropriate leadership in assisting the GOH and other donors in developing the economic measures necessary for growth. Our proposed reductions in both staffing and OE funding result from a detailed analysis of the requirements of our program in a position-by-position review and justification process.

C. LOCAL CURRENCY PROGRAMS

Host Country Owned Local Currency (HCOLC) is generated through the Economic Support Fund (ESF) and the PL-480 Title III Programs. ESF HCOLC is used to finance public and private sector development activities that directly support or complement Honduran and USAID objectives. PL-480 Title III and Title I HCOLC generations are used to finance agricultural and rural development activities, some of which complement the Self-Help measures included in the bilateral agreements. Section 416 HCOLC generations support rural development and greater accessibility of the poor to the benefits of development.

HCOLC is converted at the highest rate which is not unlawful; currently at Lps.5.4:\$1 (Lempiras:US Dollars). The sale of PL-480 commodities takes place at market prices and under commercial terms so that no subsidy occurs to the private commodity buyers. HCOLC is jointly programmed with the GOH within the context of a sound monetary program.

In addition to the HCOLC programs, the GOH and CARE initiated a Title II monetization program in FY 1990 with A.I.D.'s approval. The purpose of the monetization program is to help support ongoing Maternal Child Health and School Feeding Programs which are jointly managed between the GOH and CARE. These programs are planned and executed on an annual basis. As such, none of them generate multiyear local currency requirements.

An updated analysis of the LC mortgage of existing and planned activities through FY 1994 compares LC requirements against projected availability of LC generations under the ESF and PL-480 Title III Programs. Given lower projected ESF levels for future years, the Mission will try to fully program GOH LC counterpart contribution requirements for existing and planned USAID activities through FY 1994.

FY 1992

TABLE 6
LOCAL CURRENCY UTILIZATION
(\$ 000)

	ESF	PL 480 I	PL 480 N	PL 480 NI	SEC. 416
A. USES					
HG BUDGET GEN	35,185				
HG BUDGET SECTOR	19,082				
HG CONTRIBUTION TO AID PROJECTS	33,982	6,149 291	723	55 11,538	
HG MANAGED L/C PROJECT (GOVT. OR PRIVATE)	8,269	1,592	752	2,407	741
AID PROGRAM TRUST FUND	N/A				
AID OE TRUST FUND	8,296				
SECTION 108	N/A				
OTHER	N/A				
TOTAL	104,814	8,032	1,475	14,000	741
B. CHANNEL FOR ASSISTANCE*					
PUBLIC SECTOR	82,679	8,032	1,475	7,093	741
PRIVATE SECTOR	22,135			6,907	
TOTAL	104,814	8,032	1,475	14,000	741

* Determined by organization primarily responsible for managing local currency.

FY 1993

TABLE 6
LOCAL CURRENCY UTILIZATION
(\$ 000)

	ESF	PL 480 I	PL 480 II	PL 480 III	SEC. 416
A. USES					
HG BUDGET GEN	14,925				
HG BUDGET SECTOR			846	150	
HG CONTRIBUTION TO AID PROJECTS	15,052			10,800	
HG MANAGED LC PROJECT (GOVT. OR PRIVATE)	2,336		881	3,050	
AID PROGRAM TRUST FUND	N/A				
AID OE TRUST FUND	6,687				
SECTION 108	N/A				
OTHER	N/A				
TOTAL	39,000		1,727	14,000	
B. CHANNEL FOR ASSISTANCE*					
PUBLIC SECTOR	25,417		1,727	6,440	
PRIVATE SECTOR	13,583			7,560	
TOTAL	39,000		1,727	14,000	

* Determined by organization primarily responsible for managing local currency.

FY 1994

TABLE 6
LOCAL CURRENCY UTILIZATION
(\$ 000)

	ESF	PL 480 I	PL 480 H	PL 480 HI	SEC. 416
A. USES					
HG BUDGET GEN	33,413		846	3,500	
HG BUDGET SECTOR				7,420	
HG CONTRIBUTION TO AID PROJECTS				3,080	
HG MANAGED LC PROJECT (GOVT. OR PRIVATE)	94		881		
AID PROGRAM TRUST FUND	N/A				
AID OE TRUST FUND	6,493				
SECTION 108	N/A				
OTHER	N/A				
TOTAL	40,000		1,727	14,000	
B. CHANNEL FOR ASSISTANCE*					
PUBLIC SECTOR	21,566		1,727	9,200	
PRIVATE SECTOR	18,434			4,800	
TOTAL	40,000		1,727	14,000	

* Determined by organization primarily responsible for managing local currency.

TABLE 7
SUMMARY PROGRAM FUNDING TABLE
(US\$ 000)

Project Title and No.	FY 92	FY 93	FY 94	Mission Strategic Objective No.
<u>BIJREAU OBJECTIVE IA:</u> Encourage Economic Policies that Promote Investment, Productive Employment and Outward Oriented Diversification				
<u>Development Assistance</u>				
Privatization of State-Owned Enterprises (522-0289)	--	2,000	1,081	2
Policy Analysis and Implementation (522-0325)	8,000	3,800	2,600	1 & 2
SUB TOTAL DA	8,000	5,800	3,681	
<u>Economic Support Funds</u>				
Policy Analysis and Implementation (522-0325)	2,000	1,000	--	1 & 2
Structural Adjustment Program (522-0365)	43,000	39,000	40,000	1 & 2
SUB TOTAL ESF	45,000	40,000	40,000	
<u>Food Assistance</u>				
PL480 Title III	14,000	14,000	14,000	1
SUB TOTAL FOOD ASSISTANCE	14,000	14,000	14,000	
TOTAL IA:	67,000	59,800	57,681	
<u>BIJREAU OBJECTIVE IB:</u> Encourage a Vigorous Private Sector Response to a Favorable Policy Environment				
<u>Development Assistance</u>				
Export Development and Services (522-0207)	4,400	--	--	1 & 2
Small Business Development (522-0241)	3,210	--	--	2
Investment and Export Development (522-0312)	--	4,100	3,500	1 & 2
Small Farmer Organization Strengthening (522-0252)	500	--	--	1
Rural Roads Maintenance (522-0334)	2,000	2,000	2,000	1
Small Farmer Agri-Business Development (522-0383)	3,000	1,500	2,000	1
TOTAL IB:	13,110	7,600	7,500	
<u>BIJREAU OBJECTIVE IC:</u> Encourage Increased Economic Opportunities for the Disadvantaged				
<u>Development Assistance</u>				
Health Sector II (522-0216)	8,500	8,100	10,873	4
Primary Education Efficiency (522-0273)	1,600	1,032	--	4
Private Sector Population Program (522-0369)	2,500	2,500	2,169	4
SUB TOTAL DA	12,600	11,632	13,042	
<u>Food Assistance</u>				
PL480 Title II	6,273	6,051	6,000	4
TOTAL IC:	18,873	17,683	19,042	

TABLE 7
SUMMARY PROGRAM FUNDING TABLE
(US\$ 000)

Project Title and No.	FY 92	FY 93	FY 94	Mission Strategic Objective No.
BUREAU OBJECTIVE ID: Encourage Preservation and Sustainable Use of the Natural Resource Base				
Development Assistance				
Forestry Development (522-0246)	3,000	--	2,000	3
Land Use Productivity Enhancement (522-0292)	2,900	--	2,000	3
National Environmental Trust Fund (522-6385)	--	2,000	2,000	3
RENARM (ROCAP)	--	--	--	3
TOTAL ID:	5,900	2,000	6,000	
BUREAU OBJECTIVE IIA: Strengthen Civilian Government Institutions; and	6,273	6,051	6,000	
BUREAU OBJECTIVE IIB: Strengthen Public Participation in the Democratic Process	18,873	17,683	19,042	
Development Assistance				
Municipal Development (522-0340)	1,000	3,356	500	5
Strengthening Accountability Systems (522-0381)	--	1,000	1,000	5
SUB TOTAL DA:	1,000	4,356	1,500	
Economic Support Funds				
Strengthening Democratic Institutions (522-0296)	2,500	1,500	1,000	5
Honduras Peace Scholarships II (522-0364)	2,000	1,500	1,500	5
RTAC II (522-0384)	500	--	--	5
SUB TOTAL ESF:	5,000	3,000	2,500	
TOTAL IIA & IIB:	6,000	7,356	4,000	
OTHER:				
Development Assistance				
Program Development and Support (522-0000)	390	212	277	OTHER
TOTAL OTHER:	390	212	277	
GRAND TOTALS: DEVELOPMENT ASSISTANCE	41,000	31,600	32,000	
ECONOMIC SUPPORT FUND	50,000	43,000	42,500	
FOOD ASSISTANCE	20,273	20,051	20,000	
TOTAL PROGRAM:	111,273	94,651	94,500	

TABLE 8
BUDGET CONTROL LEVELS
(\$ US 000)

	FY 1992	FY 1993	1994
DA*	41,000	31,600	32,000
ESF:			
Projectized	7,000	4,000	2,500
Cash Transfer	43,000	39,000	40,000
SUBTOTAL:	50,000	43,000	42,500
FOOD AID:			
PL 480 Title III	14,000	14,000	14,000
PL 480 Title II	6,273	6,051	6,000
SUBTOTAL:	20,273	20,051	20,000
GRAND TOTAL:	111,273	94,651	94,500

* Does not include deob/reobs.

MORTGAGE PROJECTIONS
(\$ US 000)

DA ACCOUNT	FY 1992		FY 1993		FY 1994	
	AMOUNT	YEARS*	AMOUNT	YEARS*	AMOUNT	YEARS*
FN	43,557	2.40	49,757	4.36	33,157	1.98
PN	4,669	1.86	2,169	0.86	-	-
HE	7,363	1.47	3,463	0.89	-	-
CS	11,610	3.32	7,410	1.76	-	-
EH	1,032	0.63	1,000	0.49	-	-
PSEE	6,437	0.63	1,081	0.14	-	-
SUBTOTAL DA:	74,668	1.82	64,880	2.05	33,157	1.04
PROJECTIZED ESF:	12,383	1.91	8,383	2.10	5,883	2.35
TOTAL:	87,051	1.81	73,263	2.06	39,040	1.13

* Years to pay off mortgage assuming the indicated obligations.

V. ISSUES

V. -- ISSUES

1. ESF levels proposed in the CP are not high enough to maintain the essential economic reform momentum which we have helped to build.

According to the Congressional Presentation, Honduras' FY 1993 ESF level will be falling to \$30 million, down from \$60 million in FY 1991. This cut comes at a bad time.

After years of hesitation and a large ESF investment in Honduran economic reforms, the GOH finally adopted a comprehensive economic reform program in March 1990. ESF made the reforms possible. Large disbursements in FY 1990 (\$135 million in balance of payments support--the equivalent of five percent of Honduran GDP) helped the GOH clear massive arrears to the IFIs, qualify for renewed IFI support, and cushion the difficult adjustments required by years of economic mismanagement. Although the GOH reform program made enormous strides in improving policies, the program is just beginning to show signs of success. Support for the program--both by Hondurans and by the IFIs--is fragile. There is, indeed, a major danger that, if we pull out too quick, GOH resolve to continue the reform effort will waiver. This is why:

- Political pressures against the reform program are powerful and growing. If the GOH cannot soon show positive results from the courageous measures it took over the past two years, the Economic Reform Program may get defeated in the polls in November 1993. The political campaign has already started. The reforms are the centerpiece of major debates between candidates vying for the presidency.

A common theme on the street and in the newspapers is: when are the supposed benefits of the adjustment program going to appear? Former President Azcona recently called for President Callejas to "repent" and reverse the socially damaging reform process. In his statement, Azcona claimed that the Presidents of both Mexico and Venezuela were reversing their reform programs. Both the Ministers of Finance and Economy responded in the press, defending the adjustment process in Honduras, explaining why circumstances in Honduras are different from those in Mexico and Venezuela. They reaffirmed that the adjustment process will not be reversed. The recent coup attempt in Venezuela is widely believed within Honduras to be a result of the adjustment process. Moreover, public speculation cites the coup attempt as another reason to modify the reform process in Honduras. This kind of attack on reforms is going to continue and intensify as the country approaches the 1993 elections.

An important part of the industrial sector opposes a more open trade regime, either because of a currently protected position or out of fear that it cannot compete successfully with outside producers.

To enable the Government to resist the above-mentioned pressures from both the left and right, and to shore up its own reform convictions, it is important that the GOH believe that its economic reform program has the full political and economic support of the United States. The U.S. must not be seen as withdrawing its support of economic liberalization.

- The Honduran economy has been weak since the initiation of the reforms. This is not surprising. Beneficial effects of reforms typically require several years of difficult adjustments and dislocations before their positive contribution to the economy is evident. The Honduran economy is just beginning to pull out of a deep slump which started in mid-1989.
- ESF support is vital to the Honduran economy. It helps Honduras finance the imports it needs to bolster domestic production and the economy. ESF cushions the impacts of the reforms through local currency expenditures for social safety net activities.
- We want the IFIs to take over leadership of support for the Economic Reform Program. This is slowly taking place, but much slower than we want. The major sectoral reforms taken by the GOH in 1992 were clearly led by the Mission's ESF-supported policy dialogue. The GOH's need for

balance of payments support made ESF a driving force behind passage of the Agricultural Modernization Law, preparation of a new investment code and design of a comprehensive financial sector program. The IFIs were (and still are) far behind us in these areas. More time is needed for them to take over a leadership role.

- The IFIs have also been slow in increasing their funding levels. Resource flows from the IFIs to Honduras were negative in 1990 and 1991. Although this may be reversed in 1992, this is still not certain. Honduras is heavily indebted and needs tremendous financial support--a large part of which has to come from A.I.D. In 1992, for instance, the Mission estimates that Honduras will have an external financing gap of about \$40 million. This is after accounting for the effects of: (1) FY 1992 ESF assumed to be \$40 million and (2) all projected 1992 IFI disbursements, which are assumed to be made on time. Even assuming \$40 million per year of ESF balance of payments assistance, we project the financing gap at \$70 million in 1993 and \$30 million in 1994. These gaps are one to three percent of Honduras' GDP. Honduras' weak balance of payments situation is further exacerbated by low international coffee prices. We want to decrease our role of providing balance of payments support. However, we believe it may be disastrous to do so prior to the time other donor flows increase enough to take our place.

Our Action Plan calls for major progress on the policy reform process, the implementation of the measures contained in the Agricultural and Investment Laws, continued progress on trade liberalization, and implementation of financial sector reforms. Without substantial ESF resources backing up our policy dialogue, we may lose our credibility, send a misleading signal of early U.S. withdrawal and undercut the GOH's resolve to maintain the reform momentum during the difficult period prior to elections.

2. The Mission needs environmental earmark relief without sacrificing OYB levels as it adjusts to severe DA budget reductions.

Earmarks are exacerbating steep budget reductions. A near 25 percent budget reduction in FY 1993 has occurred without accompanying reductions in earmark targets. The result: earmarks account for some 50 percent of the Mission's DA budget. This not only limits program flexibility, but also, and perhaps more importantly, is an ineffective use of funds at a time of declining resources. The environmental earmark situation is a case in point. For several years, we have accepted larger-than-needed amounts of funding for environmental projects to help meet earmarks, thereby forcing pipelines for those projects to soar in comparison with those of other activities. The Mission is therefore requesting earmark relief of \$2.73 million of the total \$4.73 million environmental earmark for FY 1993 without a concomitant decline in OYB. The ongoing environmental projects do not need the funds and the \$2.73 million earmark relief will give the Mission \$4.13 million in added budget flexibility for high priority projects that are not as well funded. We will meet the remaining \$2 million of the earmark target with obligations under our new National Environmental Trust Fund Project.

3. Additional personnel cuts will require cutback of earmarked programs.

The personnel levels included in this Action Plan reflect the most recent unanticipated levels communicated informally to the Mission over and above the agreed multiyear staff reduction plan. Further reductions, especially in U.S. direct-hire staff will reduce substantially our ability to be fully accountable for the proper oversight and effective implementation of our program. This is a situation neither the Mission nor the Agency can afford. Therefore, if additional staff reductions were to be required, we would have to begin cutting earmarked program funds, even at the cost of a reduced annual budget.

**ANNEX A: USAID HONDURAS
IMPLEMENTATION WORK PLAN**

LAC OBJECTIVE I: SUPPORT THE ACHIEVEMENT OF BROADLY-BASED, SUSTAINABLE ECONOMIC GROWTH

LAC SUBOBJECTIVES	USAID STRATEGIC OBJECTIVE	USAID IMPLEMENTATION WORKPLAN
<p>1.A. Encourage Economic Policies that Promote Investment, Productive Employment and Outward-Oriented Diversification.</p> <p>1.B. Encourage a Vigorous Private Sector Response.</p>	<p>1. Increased Agricultural Investment, Production and Exports.</p>	<ul style="list-style-type: none"> • Assist the GOH to implement economic policy reforms embodied in the 1982 Agricultural Reform Law and various other laws and decrees approved (ongoing) • Approve additional financing to FPX to implement its export development and investment promotion programs (June 1982) • Work with the GOH to more fully develop rural financial markets (ongoing) • Amend the Policy Analysis and Implementation Project to include a major land titling and land markets component (June 1982) • Collaborate with the GOH to find a long-term solution to the financial self-sufficiency of the Honduran Agricultural Research Foundation (June 1982)
<p>1.D. Encourage Preservation and Sustainable Use of the Natural Resource Base.</p>	<p>3. More Efficient Management and Sustainable Use of Selected Natural Resources</p>	<ul style="list-style-type: none"> • Continue policy dialogue with the GOH to encourage and support its speedy adoption of needed trade reforms (ongoing) • Privatize 5 state-owned enterprises (December 1982) • Encourage CONEP and FIDE to push for passage of a new investment law and implementing regulations (April 1982) • Monitor and evaluate the GOH's implementation of the new investment law to ensure that it is carried out as intended (December 1982) • Complete design and initiate implementation of a comprehensive financial sector development program (July 1982) • Assist the GOH to implement recommendations of financial sector report and review alternatives to develop capital markets (July 1982) • Assist Honduras to attract new investment (ongoing) • Continue to assist CONEP, CCIC, FIDE, AHBA and selected financial FVOs to work towards making these institutions self-sustaining (ongoing)
		<ul style="list-style-type: none"> • Expedite policy dialogue with the GOH to develop adequate legislation in water use, forest management and the environment (December 1982) • Assist in the reorganization of CONDEFOR (ongoing) • Provide technical assistance in technology transfer to hillside farmer (ongoing) • Collaborate with GOH to develop the private-sector-managed Environmental Trust Fund (ongoing)

LAC OBJECTIVE I: SUPPORT THE ACHIEVEMENT OF BROADLY-BASED, SUSTAINABLE ECONOMIC GROWTH

LAC SUBOBJECTIVES	USAID STRATEGIC OBJECTIVE	USAID IMPLEMENTATION WORKPLAN
<p>1.C. Encourage Increased Economic Opportunities for the Disadvantaged.</p>	<p>4. Healthier Better Educated Hondurans</p>	<ul style="list-style-type: none"> • Carry out with the MOH a workshop on Health Sector II Mid-Term External Evaluation and determine how recommendations will be implemented (April-June 1992) • Support mass media education campaigns on vaccination promotion and AIDS prevention (ongoing) • Distribute refrigeration equipment for cold chain system to ensure vaccine effectiveness (October 1992) • Facilitate implementation of MOH distribution system of condoms to increase condom use (December 1992) • Carry out mid-term Evaluation of the Private Sector Population II Project and begin implementing recommendations (August 1992) • Complete the 1991 Epidemiology and Family Health Survey and begin using results for future planning (September 1992) • Publish the Epidemiology and Family Health Survey (January 1993) • Finalize equipping public hospitals and health centers with the appropriate family planning materials and supplies in order to increase coverage (September 1992) • Send public health officials to observe programs in other countries operating successful family planning programs (September 1992) • Support activities by the two principal PVO's involved in breastfeeding (AHLACMA and La Leche League) (ongoing) • Develop criterion-referenced standardized testing instruments for grades 1-6 (October 1992) • Complete textbooks, workbooks, and supplementary educational materials for grades 1-6 (December 1992)

LAC OBJECTIVE II: SUPPORT THE EVOLUTION OF STABLE, PARTICIPATORY DEMOCRATIC SOCIETIES

LAC SUBOBJECTIVES	USAID STRATEGIC OBJECTIVE	USAID IMPLEMENTATION WORKPLAN
<p>I.A. Strengthen Civilian Government Institutions.</p> <p>I.B. Strengthen Public Participation in the Democratic Process.</p>	<p>5. More responsive selected democratic institutions and processes, with greater citizen participation</p>	<ul style="list-style-type: none"> • Assist THE to update the National Registry of Persons to provide reliable data for the electoral registry for the 1983 elections (December 1982) • Procure offshore commodities for the 1983 elections (May 1983) • Assist the National Congress to establish and operate fully the Legislative Research Center which provides technical expertise to the legislative process (September 1984) • Strengthen the institutional capability to draft legislation through implementation of a legislative tracking system (March 1982) • Develop and automate administrative systems of Pageduria (September 1982) • Enhance judicial and administrative capability of judicial personnel through in-service training and continuing education programs (ongoing) • Complete personnel procedures and manuals to institutionalize the Judicial Career law (August 1982) • Automate administrative and jurisprudence systems (August 1982) • Complete decentralized planning process (December 1982) • Complete decentralized budget process (June 1982) • Develop and implement docketing system (September 1985) • Strengthen Inspector General's office (June 1983) • Promote coordination between all entities involved in the Administration of Justice (ongoing) • Assist the judiciary to complete the restructuring of the Public Defender's office to make it a permanent sustainable institution (June 1982) • Strengthen National Judicial Reform Commission (September 1985) • Provide technical assistance and training to municipalities in municipal and financial management, service provision and community participation (ongoing) • Initiate training to municipalities (September 1982) • Complete dissemination of municipal law, implementing legislation and related legislation (September 1982) • Coordinate among AMHON (National Association of Municipalities), the central government and selected municipalities to facilitate the transfer of central government resources and service delivery authority to local governments (ongoing) • Expand RTAC-II textbook distribution to assure wider access to textbooks by university graduates and professionals (December 1982) • Implement self-sustainability mechanisms for RTAC-II (January 1983) • Provide civic education and leadership training (ongoing) • Carry out second teleconference on government corruption (February 1982)

LAC OBJECTIVE III: RESPOND TO SPECIFIC CHALLENGES

LAC SUBOBJECTIVES	USAID STRATEGIC OBJECTIVE	USAID IMPLEMENTATION WORKPLAN
W.A. Foster Regional Integration and Cooperation.	6. Other	<ul style="list-style-type: none"> Under the Central American Rural Electrification Support Program (CARES), implemented by the National Rural Electric Cooperative Association (NRECA), assist in the creation and development of a permanent, decentralized approach to rural electrification in the country. CARES will provide support to the national electric utility (ENEE) in the development of a decentralized system on the island of Roatan. In addition, ENEE personnel will receive training in operational systems data, rural electrification design standards and siting, billing, and collecting procedures. CARES contemplates conducting a country-wide feasibility study of decentralized systems. (December 1984) Disburse \$5 million of CABEL funds to FOVI for housing (April 1982) Define use of \$10 million from CABEL for urban upgrading investment (June 1982)

CROSSCUTTING AND OTHER TOPICS

LAC SUBOBJECTIVES	USAID STRATEGIC OBJECTIVE	USAID IMPLEMENTATION WORKPLAN
Gender Considerations in Development (GCID)	7. Move into the direction of a comprehensive gender approach (men, women)	<ul style="list-style-type: none"> Update gender-related Mission Orders (October 1982) Determine the baseline for future analysis of gender-related impact by participating in the PL-480 socio-economic surveys (baseline - September 1982; follow-up surveys--semiannually in subsequent years) Develop a strategy to train local consultants and counterparts on the Agency's gender approach (April 1982) Receive technical assistance from MSI/GENESYS to follow up training team recommendations and develop next steps for further integration of gender into Mission activities (October 1982)
Other	8. Other	<ul style="list-style-type: none"> Provide technical assistance to public and private sector shelter institutions, and municipalities in the implementation of shelter and urban upgrading activities (ongoing) Deliver 3,200 urbanized lots to low income families in San Pedro Sula as part of the FOVISO shelter sectoral program (December 1982) Finalize implementation of the Tela urban upgrading project (June 1982) Initiate construction of the Choluteca urban upgrading project (June 1982) Define use of the remaining local currency urban upgrading funds (May 1982) Privatize management of one irrigation district to private water users associations (December 1982) On-farm irrigation systems designed by the private sector (ongoing)

ANNEX B

GLOSSARY OF ACRONYMS

AHIBA	Asociación Hondureña de Banqueros (Honduran Bankers Association)
AHLACMA	Asociación Hondureña de Lactancia Materna (Honduran Association Lactating Mothers)
AICPA	American Institute of Certified Public Accounting
AMHON	Asociación de Municipalidades de Honduras (National Association of Municipalities)
ANDI	Asociación Nacional de Industriales de Honduras (National Association of Honduran Industries)
AOJ	Administration of Justice
AHPROCAFE	Asociación Hondureña de Productores de Café (Honduran Association of Coffee Producers)
ASHONPLAFA	Asociación Hondureña de Planificación Familiar (Honduras Family Planning Association)
BANADESA	Banco Nacional de Desarrollo Agrícola
BCG	(vaccine for tuberculosis)
BCH	Banco Central de Honduras (Central Bank of Honduras)
CABEI	Central American Bank for Economic Integration
CADERH	Centro Asesor para el Desarrollo de los Recursos Humanos de Honduras (Advisory Council for Human Resources Development)
CAPS	Central American Peace Scholarship
CASA	Central American Survival Assistance
CBH	Central Bank of Honduras
CCIC	Cámara de Comercio e Industrias de Cortés (Chamber of Commerce and Industries of Cortes)
CDSS	Country Development Strategy Statement
CIDA	Canadian International Development Agency
CIEL	Centro de Investigación de Estudios Legislativos (Legislative Research Center)
CIF	Cost, Insurance and Freight

COHDEFOR	Corporación Hondureña de Desarrollo Forestal (Honduran Forestry Development Cooperation)
COHEP	Consejo Hondureño de la Empresa Privada (Honduran Council for Private Enterprises)
CRSP	Collaborative Research Support Program
DICOMCAFE	División de Comercialización de Café Coffee Trade Division (of AHPROCAFE)
DPT	Diphtheria, Pertussis, Tetanus
EDS	Export Development and Services Project
EFHS	Epidemiology and Family Health Surveys
EHR	Educational and Human Resources Account
ENEE	Empresa Hondureña de Energía Eléctrica
EPZ	Export Processing Zones
ESF	Economic Support Fund
FDP	Forestry Development Project
FHIA	Fundación Hondureña de Investigación Agrícola (Honduran Agricultural Research Foundation)
FIDE	Fundación para la Inversión y Desarrollo de Exportaciones (Foundation for Investment and Development of Exports)
FN	Foreign National/Food and Nutrition Account
FOVI	Fondo de la Vivienda (National Housing Fund)
FOVIPO	Fondo de la Vivienda Popular (Popular Housing Fund)
FPX	Federación de Productores y Exportadores Agrícolas de Honduras (Honduran Federation of Agricultural Producers and Exporters Associations)
FSN/DH	Foreign Service National Direct Hire
FSN/PSC	Foreign Service National Personal Services Contract
FTZ	Free Trade Zone
FUNADEH	Fundación Nacional de Desarrollo Hondureño (National Foundation for Honduran Development)
FY	Fiscal Year
GATT	General Agreement of Tariff and Trade

GCID	Gender Considerations in Development
GDP	Gross Domestic Product
GOH	Government of Honduras
GTZ	German Society of Technical Cooperation
HB	Handbook
HCOLC	Host Country Owned Local Currency
HG	Housing Guarantee
HOPS	Honduran Peace Scholarship
HRD	Human Resources Development Office (USAID)
HS II	Health Sector II
IBRD	International Bank for Reconstruction and Development (World Bank)
IDB	Inter-American Development Bank
IED	Investment and Export Development Project
IESC	International Executive Services Corps
IFI	International Financial Institution
IHMA	Instituto Hondureño de Mercadeo Agrícola (Honduran Agricultural Marketing Institute)
IMF	International Monetary Fund
INCAE	Instituto Centroamericano de Administración de Empresas (Central American Business Administration Institute)
INOPAL	The Population Council
LAC	Bureau for Latin American and the Caribbean (AID)
LAN	Local Area Network
LC	Local Currency
LUPE	Land Use and Productivity Enhancement Project
MNR	Ministry of Natural Resources
MOE	Ministry of Education
MOH	Ministry of Health
MSI/GENESYS	Management Systems International
NGO	Nongovernment Organization

NJRC	National Judicial Reform Commission
NRECA	National Rural Electrification Cooperative Association
NTAE	Nontraditional Agricultural Exports
OE	Operating Expenses
OPG	Operational Program Grant
OYB	Operational Year Budget
PACD	Project Assistance Completion Date
PASA	Participating Agency Services Agreement
PL480	Public Law 480
PN	Population Account
PPAS	Program Performance Assessment System
PSC	Personal Services Contractor
PSEE	Private Sector, Energy and Environment Account
PSP	USAID Office of Private Sector Programs
PVO	Private Voluntary Organization
RENARM	Regional Natural Resources Management Project
ROCAP	Regional Office for Central American Programs
RTAC	Regional Textbook Center Project
SAL II	Structural Adjustment Loan II
SDI	Strengthening Democratic Institutions
SECOPT	Secretaría de Comunicaciones Obras Públicas y Transportes
STDS	Sexually Transmitted Diseases
TBD	To Be Determined
TNE	Tribunal Nacional de Elecciones (National Elections Tribunal)
TWG	Technical Working Group
UNDP	United Nations' Development Program
UNIOCOOP	Unión de Cooperativas (Union of Agricultural Service Cooperatives)
USAID	United States Agency for International Development

USDH	United States Direct Hire
USG	United States Government
USPSC	United States Personal Service Contractor
VIDA (FUNDACION)	Foundation for Environment and Development
WB	World Bank
WID	Women in Development